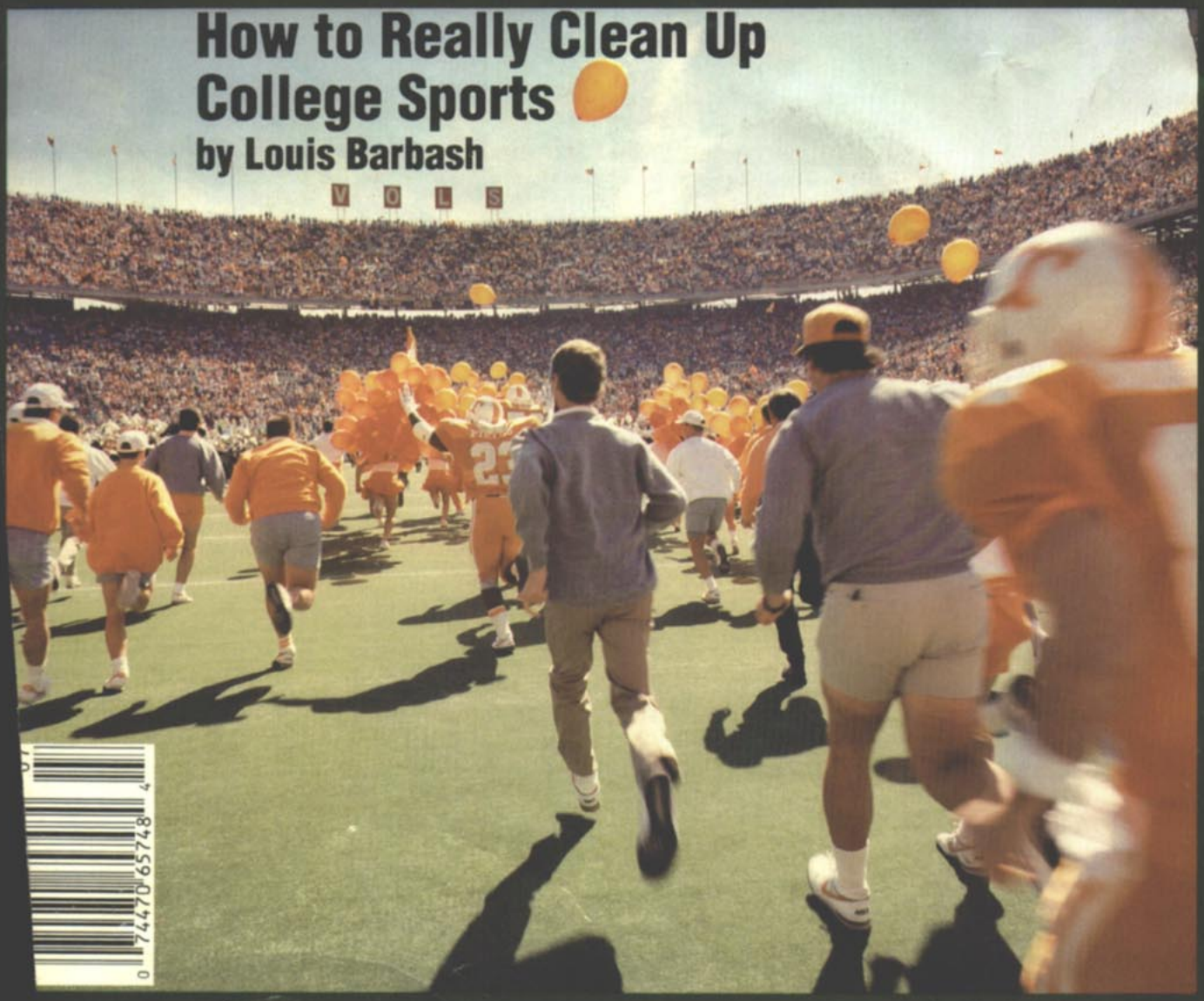
- Morton Mintz on How Canada Outlawed Cigarette Ads
- Special Summer Reading Issue, with reviews by: Gregg Easterbrook, Bob Schieffer, Lester Thurow, Carl Stern, Michael M. Thomas, Ross K. Baker, Adam Yarmolinsky, Paul C. Warnke, and Maureen Dowd
- How to avoid a *bank* bailout

The Washington Monthly

JULY/AUGUST 1990/$3.00

How to Really Clean Up College Sports

by Louis Barbash



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LETTERS

Pipeline dreams

Peter Grier's article on Cambodia ["Dealing with the Devil," April] is an odd piece of journalism. In a variety of ways, he asserts as a self-evident fact that the United States government is helping the Khmer Rouge. Yet he never gets around to documenting the concrete ways in which Washington is purportedly aiding Pol Pot's return to power. If he has evidence that U.S. aid has gone to the Khmer Rouge, it would be nice if he included it in the article. If such evidence existed, let me assure Mr. Grier that most of my colleagues and I would insist on the termination of the program.

With respect to my own initiatives, Mr. Grier correctly states that I proposed and secured the adoption of an assistance program for the noncommunist resistance factions (NCR) led by Prince Sihanouk and Son Sann. He then alleges that this program "ended by opening a pipeline of U.S. aid for the Khmer Rouge."

But how? He ignores the fact—if he knew it in the first place—that there is a statutory prohibition, with which I am associated, barring any American assistance "for the purpose or with the effect of promoting, sustaining, or augmenting, directly or indirectly, the capacity of the Khmer Rouge or any of its members to conduct military or paramilitary operations. . . ."

The obvious link in Mr. Grier's chain of argument—which he mysteriously chooses not to forge—is as follows: Because the two noncommunist factions are allied in a "Coalition Government of Democratic Kampuchea," any assistance which goes to the NCR necessarily ends up in the hands of the Khmer Rouge.

Yet the CGDK is not a real government but simply a political artifice which exists primarily for the purpose of UN politics and international negotiations. It has little to do with the political and military situation inside Cambodia and on the Thai-Cambodian border, where the two noncommunist factions operate as independent, albeit weak, entities. And no credible evidence has been presented to support the thesis that any American assistance to the NCR—all of which is nonlethal—has illegally ended up in the hands of the Khmer Rouge.

I happen to agree with Mr. Grier that the Khmer Rouge are the worst killers since the Nazis. That is why I find his suggestion that I am somehow responsible for assisting Pol Pot so offensive. If he is going to make such accusations, he should at least document them.

STEPHEN J. SOLARZ
Washington, D.C.

Rep. Solarz is the chairman of the House subcommittee on Asian and Pacific Affairs.

The author replies:

The Khmer Rouge are by far the strongest military force of the tripartite Cambodian resistance. If the resistance in fact triumphs, the Khmer Rouge would surely turn on their allies and devour them. By aiding the two noncommunist resistance factions and the unstable Prince Sihanouk, the U.S. is aiding the Khmer Rouge in their drive for Phnom Penh. U.S. aid may not be handing actual weapons to the Khmer Rouge, but U.S. aid isn't going to make the noncommunists as powerful as the Khmer Rouge. The sooner we face the fact that we have to help those who are fighting the Khmer Rouge, the sooner peace and real political stability will return to a shattered nation.

Brio wheeze

It's a shame Ned Martel did not contact the Brio Site Task Force before using Brio to illustrate his article about the Superfund law ["Blooperfund," April]. We might not have changed his opinions about the law, but we could have corrected his facts about the site. Among the most serious errors and omissions were these:

*Brio was a refinery that bought materials from many companies, not a dump. When Brio went broke and left a contaminated site behind, its former suppliers took on the cleanup under the Superfund law. We are committed to that cleanup.

*Several nationally known engineering firms determined the nature and extent of contamination at the site. They stand by their findings. Their work also was reviewed by local, state, and federal regulatory agencies. No date was falsified.

*No unusual health problems have been documented in the surrounding community, and no health problems of any kind have been connected to Brio.

*The activities of the Brio Task Force were reviewed in detail by the jury in the lawsuit referenced in Mr. Martel's article. He might have mentioned that the jury rendered a unanimous verdict that no plaintiff had suffered any injury from the site and that Monsanto, the Task Force member involved, was not liable to any plaintiff.

NORMA J. GOLDMAN
Houston, Texas

Ms. Goldman is on the community relations staff of the Brio Site Task Force.

The author replies:

Discarded water was scavenged or "refined" at Brio, and semantics can't dress up the pollution left behind. The suppliers of these contaminants did agree to clean up as the law required. But based on the recent U.S. Geological Survey tests he ordered, Rep. Jack Brooks says "the initial testing and evaluation of the Brio Site was not as thorough and accurate as it should have been." That the engineering firms still "stand by their findings" illustrates even more vividly Superfund's dangerous glitch: Polluter-funded tests don't often find what polluters don't want them to find,

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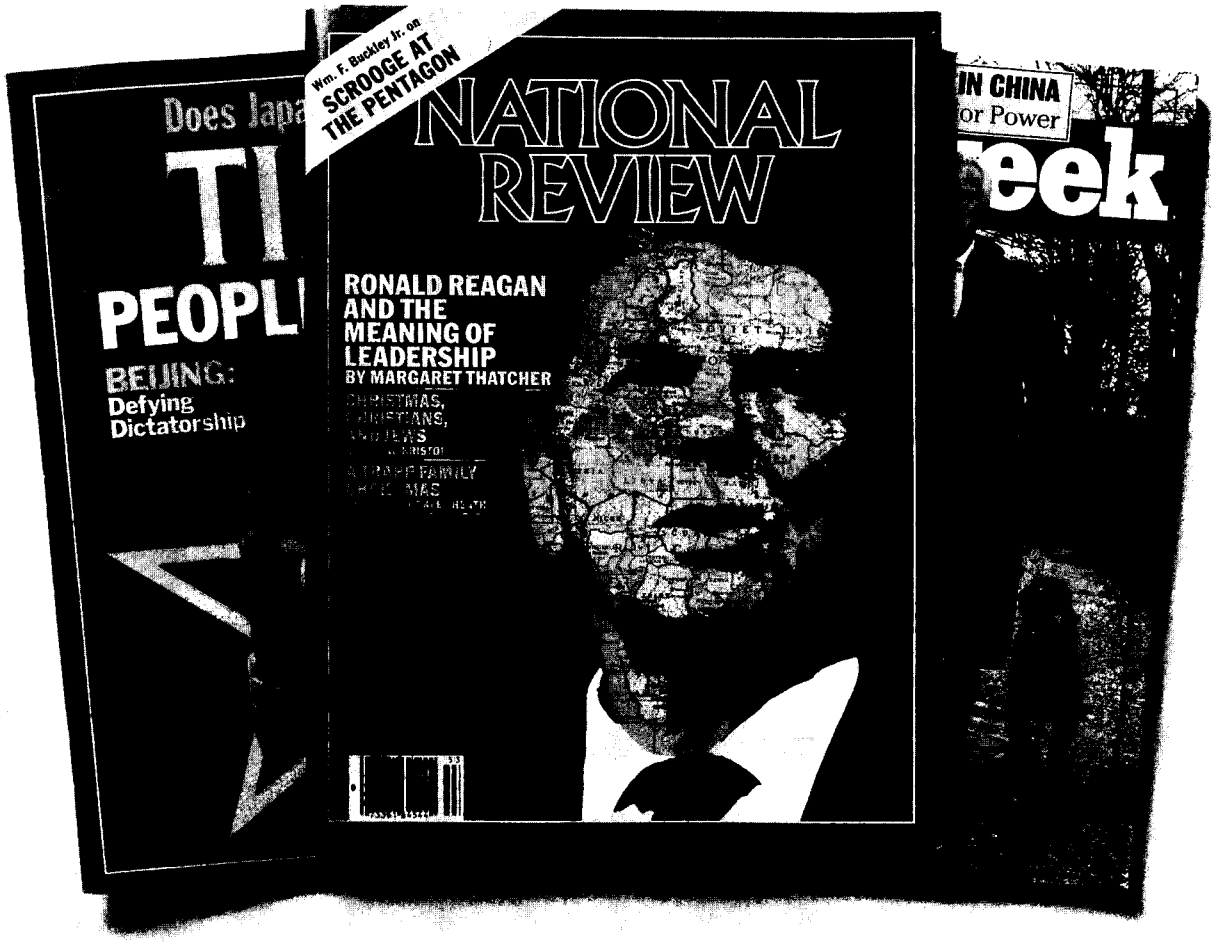

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even when the Office of Technology Assessment and the U.S.G.S. say it's there. Because the developers were dropped from the case in the *Slaughter v. Monsanto* trial, some observers saw the verdict as merely a message to the neighborhood's developers that they should share the blame and not as an absolution of the chemical companies. The truth about the 54 birth defects and miscarriages now tallied from a survey of 120 pregnancies in the Brio neighborhood will finally come out only when the many trials ahead have run their course.

Past tense

In your column ["Tilting At Windmills," April], you repeat several untruths about the American Jewish Committee's recent decisions with regard to two of our publications.

Our board of governors unanimously decided to end support for *both* magazines unless separate, earmarked contributions are forthcoming. *Commentary* appears to be able to do this through additional support from its board members and friends. *Present Tense* has not been able to achieve the necessary support, which will force us to discontinue it, and that will be done with a great deal of anguish and regret.

Such a closing has nothing to do with politics or ideology but is simply a reflection of fiscal realities.

SHOLOM D. COMAY
New York, New York

Mr. Comay is the president of the American Jewish Committee

Regs and Bacon

Patrick Barry's article on the need to repeal the Davis-Bacon Act ["Congress's Deconstruction Theory," January], focused on small projects. Yet the law requires prevailing wages on all projects that are federally assisted and consist of more than 11 units. If someone wants to hire unskilled workers and pay them as little as possible, thereby "helping" them (and also saving himself quite a bit of money), he can do so on small projects.

One forgets that the hourly wages of those who construct buildings are not consistent yearly wages. Carpenters might be needed for four months; drywall haulers for less time. The salary per year, therefore, is not as high as it might first appear.

I personally prefer those who construct buildings to be "skilled," to know how to be a good carpenter or electrician. Buildings constructed by those who know what they are doing go up faster, are better, and the workers on those projects have fewer accidents.

I think that, without Davis-Bacon and the state laws that set prevailing wages on state-supported building projects, the lowest wage would be the one most contractors would pay, and the contractor who wanted to treat his employees fairly would be forced out of the market.

Let's say we pay all construction workers $6 an hour and shift them around from job to job. The result would be more people who can't afford to live in today's society, more people who need those very cheap apartments, more people looking for help, and lots of buildings that could be poorly constructed. Where in Washington, D.C. (or even Columbus, Ohio) can one love and support a family on $6 an hour, even if that is a constant, 40-hour-a-week, year-after-year salary?

We need to pay decent wages. Then we have taxpayers. Then we have consumers who can purchase the products produced by those manufacturers. Even Henry Ford knew that people who don't make money can't purchase any products, so he paid his people and they bought his cars.

JANYCE KATZ
Columbus, Ohio

The author replies:

Having worked for $6 an hour and found the wage insufficient to support a family, I must agree with Ms. Katz that we shouldn't encourage low pay scales in any industry. The point is, while there are far too many exploitive and dead-end McJobs out there, construction workers aren't in that category and aren't likely to fall into it because, as the article states, demand for skilled carpenters, masons, and electricians already keeps wages above the Davis-Bacon level in some markets and should keep wages high elsewhere as the labor shortage worsens. Ms. Katz dances around the real issues: organized labor is losing power and members by encouraging restrictive work rules and bureaucratic protection, while the federal government is meddling in a strong, relatively high-paying industry and thus undercutting the competitive situation we need to rebuild the nation's infrastructure and affordable housing stock. I don't advocate a return to the days when roving work gangs stole construction jobs from reputable contractors. But I do encourage unions, the construction industry, and Congress to acknowledge the flaws of the Davis-Bacon Act and work to repeal it. We will all benefit when Davis-Bacon is gone.

Yeltsinful

At last, Boris Yeltsin supplies all the evidence needed to show himself up as the spineless hypocrite and toadying opportunist that he is ["Kremlin Creature Comforts," May].

The only good thing about his piece is that he has accurately portrayed every government bureaucracy in the world from D.C. to Tokyo. But if he thinks the Kremlin's leadership is venal, he obviously has never visited the White House or gotten close to a U.S. senator.

Now the bad news. Boris accepted all the perks without so much as batting an eye, except to complain, *ex post facto*, about their quality. Along comes someone who is actually trying to do something about "the system" and guess who Mr. Outside-the-Loop blames? While Brezhnev was ripping off the country, Boris "the Obsequious" was everyone's favorite flunky. Comes the dawn of *perestroika* and Boris rises early to curse the sun for light. Lo! The corruption of principle he quietly (and safely) enjoyed is now the fault of —you guessed it—the man who wants to end it.

Since *perestroika* is obviously a new concept to him, he might want to keep in mind a new distinction. A "whistleblower" is an honest person who learns the difference between a government's rhetoric and its practice and then says so. A "stooly" is a minor flunky happy to go along with the system until guts are required and then turns on his benefactors and says "the Devil made me do it."

DAVID A. JONES
Albuquerque, New Mexico

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Class act

A few weeks ago, while teaching a unit on the effects advertising has, I mentioned to my fourth grade classes that it has been illegal for tobacco companies to advertise on television since 1970. The students told me that couldn't be true because they see tobacco products advertised all the time on television. This puzzled me, so I told the students to write down dates, times, and networks showing this advertising so we could report it.

A few days later I read an article in the January 1990 *Reader's Digest,* which appeared originally in your magazine ["Warning: Sports Stars May Be Hazardous to Your Health," Jason DeParle, September 1989], that describes the television networks' policy of allowing tobacco companies to sponsor sporting events. The companies' banners, names, and logos are then allowed to be displayed behind the athletes, on their clothing, and on the playing fields.

As the students and I discussed this, the students stated that they believe this is a form of advertising and they wanted to let the networks know they believe it is wrong. Each fourth grader at Howard School wrote a letter or made a poster to be sent to one of the major networks. Copies of a few of them are enclosed. I am sending them to thank you for publishing articles that are relevant and keep us informed about what is going on in our world, and to let you know that you have made a tremendous impact on a group of students.

SANDRA O'BRIEN
Grand Island, Nebraska

Here is a letter sent by one of Ms. O'Brien's students:

1901 N St Paul Rd
Lot
Grand Island
68801

Advertising Dept.
CBS Inc.
51 W. 52nd St
New York, NY 10019

Dear Chairperson,

I'm writing to make you stop advertising tobacco on sporting events. Your advertising is making kids think they should use it.

We have learned tobacco is bad for your health and if you sponsor it, people like my grandpa will use it.

I hate tobacco and I donot want people to use tobacco.

Please write me back.

Sincerely,
Melissa Ann Johnson

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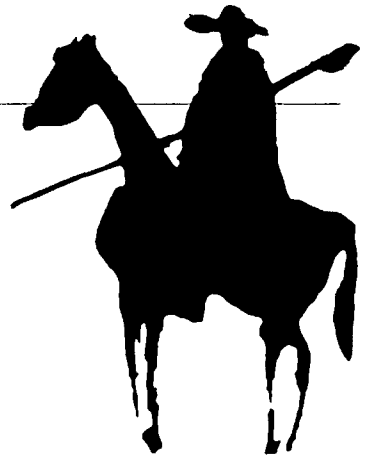
TILTING AT WINDMILLS



How have the alumni of the Nixon administration made out since the disgrace of Watergate? A glimmer of light was cast on the answer by a story that was buried in the back pages of *The New York Times* of June 1. It seems that John V. Brennan, Nixon's former military aide, and the estate of John Mitchell, the former attorney general, have won a judgment for fees due Brennan and Mitchell for negotiating the sale of military uniforms by Romania to Iraq. The amount claimed was $3.3 million. What had Mitchell and Brennan done to earn this sum?

"Papers filed in the lawsuit," according to the *Times*, "indicate that the deal was put together at two meetings, one at the Four Seasons Hotel in Washington and the other at the Hotel Scribe in Paris."

How did Mitchell and Brennan secure this lucrative assignment? They were recommended for it by Richard Nixon in a letter to his friend Nicolae Ceausescu. The *Times* also notes that "former Vice President Spiro T. Agnew played a role in the transaction." It's like one of those benefit concerts where you can't believe even more legends are waiting in the wings as still another strolls onto the stage. . . .

Seventeen of the 31 senators running for reelection this year are receiving more than half their campaign funds from outside their own states. Examples include 73 percent of Bill Bradley's money, 87 percent of Al Simpson's, and 96 percent of Al Gore's. Does this make any sense at all? Why should wealthy New Yorkers and Californians be able to influence an election in Tennessee?. . .

Senators have to travel in order to raise such funds, which helps explain why they accepted more than 500 expense-paid trips from corporate or trade groups last year. Of course, fund-raising is not always the purpose of these trips. Sometimes they're just for good, clean fun. Rep. Marty Russo, for example, got free trips to three golf tournaments plus $1,151 in golf-related gifts. Senator Alan Dixon of Illinois, who owns a condominium in West Palm Beach, managed to get his roundtrip airfare from Washington to Florida paid for on five separate occasions during 1989.

He thus became indebted to Pratt & Whitney, BellSouth, the Olin Corporation, Barnett Banks, Inc., and the Chicago Board of Trade. One can't help wondering just what he has done to discharge that indebtedness.

One thing you may not realize is that these groups often pick up the tab for the lovely wife as well. For example, Mrs. Stephen Solarz, the spouse of the chairman of the Asian and Pacific subcommittee of the House Foreign Affairs Committee, got four trips abroad paid by private groups last year. She visited India, Japan, South Korea, Hong Kong, Indonesia, and the Soviet Union.

On many of these trips, our legislators not only have their expenses paid but also receive honoraria. A recent report reveals that 32 senators kept $35,000 each in honoraria. This practice is not confined to Washington, however. It also flourishes in state capitals around the country. The champion has to be Willie Brown, the speaker of the California Assembly, who managed to pull in $42,150 in speaking fees last year. . . .

Which reminds me that we haven't had an "Only in California" section for a long time, so here goes:

The East County Jail in San Diego County cost $38 million to build but has walls so flimsy that inmates can literally kick their way out. The plans called for concrete walls four to seven inches thick, but "what we've got," according to Sheriff's Captain Benny McLaughlin, "is drywall, empty space, and four inches of styrofoam." So far there have been 11 escapes.

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In Sacramento, Governor George Deukmejian named as a deputy affirmative action expert, at a salary of $59,274 a year, one Ernest Wayne Michael, whose previous experience was in growing rice and raising pigs.

Finally, in case Captain McLaughlin is thinking of suing the contractor who built the East County Jail, he should know that the judicial precedents are not promising.

The California Court of Appeals has ruled that a homeowner who discovers his house is falling apart can't sue the builder if the builder has dissolved his corporation.

The result is, according to Bradley Inman of the *San Jose Mercury News*:

"Many developers are setting up new corporations for each project they build and dissolving the corporate entities when the projects are complete.". . .

Twenty-seven thousand children die each day on this planet from causes that could have been prevented or treated effectively—from diseases they could have been immunized against, and from diarrhea and from pneumonia, both of which could be cured.

The immunizations and treatments needed are cheap. According to the World Health Organization, they would cost only $2.5 billion for one year. Wouldn't you be willing to give up just one aircraft carrier to save these lives? . . .

When Richard Darman took over the Office of Management and Budget 18 months ago, there were three steps he needed to take to assure that OMB would foresee and prevent scandals such as those involving HUD and the S&Ls. One was to hire about 400 more examiners, enough to make sure the examiners could cover the executive branch thoroughly, spending sufficient time in the field to be able to spot serious operational problems as they cropped up. Another was to change the kind of person who is hired as examiner—from the bright and well-educated but inexperienced in government to the bright who either have the experience to know where the bodies are buried or who have the investigative skills to find them anyway. Third, and most important of all, the examiners need to understand that their highest duty is not to juggle numbers to meet budget targets but to determine whether the programs they oversee are working and are needed.

Last November, Jason DeParle reported in these pages that as of that time, none of these steps had been taken. This spring I asked a trusted friend who once worked at OMB and still knows a lot of people there to find out if the situation had changed. In June the answer came back. It was no, nothing had changed.

David Stockman, who was once described, as Darman is today, as the smartest man in Washington, is now the butt of jokes as the man who fiddled with the books while refusing to hire the examiners who could have helped prevent the S&L disaster that was brewing. Indeed, when in recent budget negotiations Darman dismissed some obvious fiscal flummery as "Stockmanesque," everyone laughed. Does he really look forward to a similar response from the audience when several years hence another budget director describes similar shenanigans as "Darmanesque"? . . .

The ability to avoid the burdensome regulations affecting official purchasing has long been one of the most prized of bureaucratic skills. There is a new champion and again we must look to the great state of California. Chancellor W. Ann Reynolds of the California State University system wanted to buy six cars for her vice chancellors, who had previously been subjected to the indignity of having to check vehicles out of the motor pool. However, she realized that because the state was cracking down on faculty salaries and other expenses at the state universities, it might not be wise to attract attention to the purchase of the cars, especially since she was already giving the vice chancellors salary increases of from 15 to 26 percent. Purchases of more than $100,000 have to be reported to Sacramento, where they might excite undue interest on the part of legislators and other public officials, not to mention the press. So Reynolds bought Tauruses at a total cost of $99,998.70. . . .

Cadwalader, Wickersham & Taft. A law firm with a name so reeking of the soundest respectability surely would not stoop to bilking its clients—or so most of us would assume. But the *American Lawyer*'s Steven Brill has uncovered a memo from Rodney Dayan, the co-chairman of the firm's management committee, that suggests that, alas, even a name like Cadwalader, Wickersham & Taft, not to mention one like Rodney, is no guarantee against chicanery at the bar. The memo, concerning a subject dear to the heart of the legal profession—how to increase billable hours—contains these seemingly innocent words:

"The suggestion is that retention and use of senior associates who are not destined to make partner detracts from the use

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of underemployed partners."

Translated from upper-class legalese, this means don't use associates when you can use partners, because we can bill a lot more for partners. . . .

Regular readers will know how much I admired Mickey Kaus's attack in the May 7 *New Republic* on the Money Liberals who would solve all social problems with higher taxes and increased benefits. But these readers will also understand how troubled I was by Kaus's failure to appreciate the aid and comfort his arguments could give to another—and to me now more dangerous—group of Money Liberals, those who have grown affluent enough to share the traditional aversion of the wealthy to income and estate taxation, however worthy the cause for which the tax revenue would be spent.

My concern may prove groundless if, as I suspect, most of the tax-averse liberals don't have time to read *The New Republic* because they're so busy perusing the financial press. Their favorite publication has to be *Money* magazine, which combines moderately crusading advice to the consumer—how to keep your Jaguar dealer from overcharging—with fiscal positions that would fit comfortably into any Republican platform. For example, the "Money Update" column in the June issue warns readers about the danger of an increase in the estate tax so that "you could no longer bequeath $600,000 tax-free to your heirs." At the same time it tells you how to buy a "sinuous Donghia sofa" without having to pay the usual 33 to 40 percent markup on the $3,500 wholesale price. . . .

Two speeding police cars ran into each other at a Washington street corner last month. "The impact was horrendous," said a witness. Gasoline spewed from the cars. Smoke rose from the wreckage. Five policemen were hurt, two critically. It was a miracle others weren't injured, including pupils from two nearby schools. This sort of thing happens far more often than most people realize, and the toll is almost unbelievably high. Last year, NBC news reported that 250 people annually are killed and thousands injured as a result of these police chases. Ironically, most of them are for minor traffic infractions. The absurd tragic truth is that the chases look like so much fun in the movies that cops can't resist turning on the siren and flooring the accelerator at the slightest excuse. . . .

Although American foreign aid has enjoyed some success, as, for example, with the Marshall Plan, all too often it has been a story of large sums squandered on one corrupt tyrant after another. The latest example to come to light is the on-his-way-out president of Liberia, Samuel K. Doe, who, according to *The Washington Post*'s Blaine Harden, "presided over a decade of secret executions and public cannibalism, rigged elections, and raging egotism." Yet between 1980 and 1985, the U.S. gave Doe's government more aid per capita than it gave any other country in Africa. We were actually subsidizing a third of Doe's annual budget. Even after Doe staged a blatantly corrupt election in 1985, Chester Crocker, the assistant secretary of state for African affairs, said, "There is now the beginning, however imperfect, of a democratic experience.". . .

Remember our article on journalistic honoraria? Here's an addendum from the field of motor car magazines. David E. Davis Jr., the editor of *Automobile*, says, "If Ford or Volkswagen want me to speak to dealers at a sales convention, my fee is $5,000." He adds that he makes 20 to 25 speeches a year. Does he really think he's in demand because of his eloquence?. . .

My apologies to Toby Moffett, who, contrary to what I said last month, is not an incumbent but a former congressman, and to *Dale* Austin, whom I mistakenly called David. He's the Baltimore writer who picked the Kentucky Derby winner all the other experts didn't.

These mistakes embarrass me, each for a different reason. Getting a name wrong is always bad, but when you do it while trying to congratulate someone, it's like the time they misspelled your name on the first medal you got at camp.

In Moffett's case, my error obscured for Connecticut readers a really important point I was trying to make, namely, that one of the saddest things that's grown out of the madness of PAC money is that decent men have gotten into the game of trying to outmatcho and scare away potential opponents by exploiting their incumbency to raise campaign funds of intimidating dimension. . . .

If you are a student of why organizations go wrong, you will

Dear Reader,

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find illumination in the tale of General Electric's faulty refrigerator compressor. GE thought it had developed the compressor of the future and rushed it into production.

The catch is that when top managers want results fast, the message they consciously or unconsciously transmit to those down below is that they want action, not tiresome news about problems. So when test results said the compressor hadn't failed short-term tests, middle-level executives rushed the glad tidings to their superiors, soft-pedaling evidence from lower-level employees doing the testing that the windings on the motors were discolored, that bearing surfaces were worn, and that some parts had a black oily crust—all of which indicated that the compressor *would* fail over a longer period of operation. It did fail, costing GE at least $450 million.

The lesson for managers everywhere is that when you tell your organization to rush—which you often must do, given the normal bureaucratic tendency toward lethargy—you also must take special steps to make sure you hear about the problems created by the pressure to produce results fast.

Remember how the urgency to launch caused mid-level NASA and Morton Thiokol officials to suppress the concerns their subordinates felt about the defective O-rings. . . .

Michael Herr's new novel based on the life of the famous gossip columnist, Walter Winchell, reminds me that Winchell played two crucial roles in American history, one dubious, the other heroic.

The first was that he was the pioneer in placing the celebrity at the peak of American culture. This may have been slightly preferable to having Mrs. Vanderbilt at the top, but it did immense harm in causing everyone to think like a press agent.

The second was that he was one of a handful of journalists who openly supported FDR in an era when conservatism almost completely dominated the organs of opinion. And of that handful, only two—Winchell and Drew Pearson—enjoyed wide circulation. So, if you admired Roosevelt as I did, you were grateful to Winchell at least until April 12, 1945. In his later years he became an increasingly demented McCarthyite. . . .

I have long admired the care the Ohio bar devotes to its Continuing Legal Education Seminars. Recall last year's long debate as members considered whether Vail or Aspen would be more conducive to the pursuit of legal scholarship. But I was afraid they were becoming paralyzed by conscientiousness. This year, I'm happy to report, the State Bar Association quickly settled on one setting as just the place to crack the books—Acapulco.

Members will stay at the Acapulco Princess, "situated on nearly 500 acres of tropical splendor" where the amenities include five pools with "everything from waterfalls to swim-up 'wet' bars."

But I don't want lawyers outside Ohio to feel deprived. The *Queen Elizabeth 2* is offering two continuing education programs on its August 4-9 Atlantic crossing. An Ultra Deluxe outside cabin for two is available for just $10,380.

A word of caution. The QE2 people use some weasely language about tax deductibility. "In certain circumstances" and "may be partially deductible" do not inspire serene confidence that the taxpayers will be stuck with the bill. So, if you're from Ohio, I would opt for Acapulco. The brochure states without qualification, "Please note that a seminar in Mexico is considered the same as a domestic meeting for IRS purposes," and, as all good lawyers know, that means the rest of us are sure to foot most of the bill. . . .

Anyone who knows Washington knows that the idea a couple of bright Washington lobbyists came up with over lunch one day will provide them with a comfortable retirement. Over their second Evian with lime, one said to the other, "If I had a book I could pull off the shelf and look up consumer warning labels and know which congressional staffer to call about it, that would make my life easier."

The result is *The Almanac of the Unelected*, a guide to 660 congressional staff members, telling what subjects they work on and providing short biographies, even including whether they root for the Redskins or the Capitols or the Bullets so that the lobbyist can come up with the right small talk.

You will begin to see the income potential when I tell you that the book costs $199.50 and there can be many more volumes, since more than 13,000 congressional aides are not yet included.

Incidentally, the $199.50 price represents another version of that game those California State officials were playing with the Tauruses. *The Washington Post*'s Dale Russakoff explains why: "Washington offices of businesses and law firms generally don't have to check with headquarters before making purchases of under $200.". . .

—*Charles Peters*

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Power Failure

Rural electric and telephone programs show that good government programs never die—they just get more expensive

by James Bennet

The outlook has only gotten rosier for Alltel, a telephone holding company headquartered in Ohio, since *Forbes* called it "the industry's most dramatically improved company for 1986." Sticking with a strategy of snapping up smaller, independent telephone companies, it's managed to grow and grow, expanding service to suburban communities across the country. In 1989, its stock split 3-for-2 for the second year in a row; dividends to stockholders jumped 10 percent—the 29th consecutive annual increase. And with a Moody's bond rating of "A" ("many favorable investment attributes"), Alltel's not likely to have trouble finding lenders to back its future growth. Think you might want to invest in this sure thing? Well, as a taxpayer, you already have. The catch is that you're guaranteed to lose money. For some reason, kindly old Uncle Sam, too strapped to boost funding for VISTA volunteers or school lunch programs, dug deep into his pockets over time and came up with $304 million in loans below market rates to make sure that Alltel could continue to scrape by—as it did last year, when it pulled in over a billion dollars.

A couple of decades back, the Rural Electrification Administration—the source of Alltel's loans—was perhaps the clearest example of what government at its best can do. Franklin Roosevelt created the REA at the height of the Great Depression, when the vast majority of American farmers didn't have electricity. In rural communities where private lenders and utilities had seen only the great risks and turned away, the federal government saw the urgent needs and invented a way to meet them. The REA offered advice and loans, at about the same rate of interest the government had to pay, to cooperatives that would electrify farms still relying on kerosene for light, wood for heat, and elbow grease for all their other energy needs. Fifteen years later, the REA's mission was expanded to include giving a boost to the tiny co-ops and independent companies that would offer telephone service to these isolated homes for the first time. By 1953, 90.8 percent of farms had electricity; by 1975, 90 percent of them had telephones. Mission accomplished.

In 1990, when 98.8 percent of farms have electricity and 96 percent have phones—compared with 93 percent of households overall—the REA's work somehow doesn't seem so necessary anymore. In fact, these days it's giving 25 percent of its telephone loans to five enormous holding companies like Alltel *and losing money in the bargain*. On the electric side, the REA has subsidized companies that provide pow-

James Bennet is an editor of The Washington Monthly. *Research assistance by Mary Clayton Coleman and Afshin Molavi.*

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er to resorts like Hilton Head, Aspen, and Vail. The REA's work "was done a long, long, long time ago," says Harold Hunter, the agency's administrator from 1981 to 1988, today a farmer near Enid, Oklahoma. "Yet it has continued now for so many years—like so many federal agencies do." This is why the history of the REA also sheds some light on how the American government functions at its worst—on how we ran up a $160 billion deficit in the first place, and on why Congress and the White House, trying to address it today, will do anything they can (monkey with the numbers, raise hidden taxes, maybe open a lemonade stand) to avoid cutting programs.

All the demons that have pushed the budget so far out of balance can be seen at work propping up the REA: The borrowers, though few in number, are widely dispersed over many congressional districts; they have grown up over the years and developed sophisticated lobbies in Washington that jealously guard their benefits; the regulations governing the programs have become arcane and complex, mastered only by their staunchest congressional defenders; the programs once served a noble purpose, so attacking them today is considered heretical; and they are small enough ("concentrated benefits and diffuse costs," as one analyst puts it) that few congressmen are willing to take the political heat involved in trying to fight them. "It's a classic case of how a program gets started and everyone agrees with the intention—and to this day I think it was a good program—but once the benefits start to flow and the beneficiaries get used to them, it's virtually impossible to terminate," says Randy Davis, who was an associate director of the Office of Management and Budget under Reagan.

The result is that 10 years of administration efforts to cut or scale back the REA have gone nowhere. When Frederick Khedouri, another former associate director of OMB, talks about going up against the lending programs' backers, it sounds like he's describing a mugging: "There were so many. . . . They had support everywhere. . . . It was hopeless." "They were quite successful," Davis says of the electric and telephone lobbies, "in beating my head in whenever they got the chance." "That's one of the reasons I left OMB," says another former official. "You bang your head against the wall and you finally realize you're not going to get anywhere. . . . They're just so powerful." Frustration over the REA, he says, "is probably one of the things that led to my divorce." It's not as if OMB fought this good fight to the death, however. "You look at the limited resources you have to do your political negotiations on the Hill, and you have to focus on the higher-priced items," says a Reagan administration official. The REA just wasn't pricey enough to be considered a priority. "From my standpoint," he continues, "that was a mistake, because I think these are some of the most abusive programs in the United States government."

"That's one of the reasons I left OMB," says a former official. "You bang your head against the wall and finally realize you're not going to get anywhere." Frustration over the REA "is probably one of the things that led to my divorce."

It's certainly true that the REA by itself isn't a budget buster: Even if Congress killed all the lending programs, it would save only about $5 billion over the next five years, which is small change inside the Beltway. That's no reason to preserve a bad program, however. And, equally important, small change can add up. The budget is stuffed with REAs and—despite OMB's "focus on the higher-priced items"—with larger wasteful programs that are pinned in place by the same sort of interlocking interests. Recall the congressional gridlock over cutting even a few superfluous military bases. Look at how Cheney's efforts to give up a handful of procurement programs last year, like the F-14 fighter, were stymied by representatives trying to preserve any federal spending on their turf. And consider the array of perverse regulations, subsidies, and price supports by which Americans pay their farmers not to cultivate their land and their dairy farmers to kill their cows in order to drive up everyone's food bills. These agriculture programs are basically the REA writ large: revered for their early work, consecrated by time, protected by fierce interest groups, and almost impossible to understand. They were first jury-rigged under Roosevelt as "temporary emergency measures." From a high of $5.6 billion under Carter, they blossomed under Reagan to a record in 1986 of *$26 billion*.

If Congress were able to overpower the interlocking interests that make the REAs uncuttable, it would do more than just blot out a lot of red ink. It might actually remind people of how much good an efficient government can do. Restoring that faith is the key to convincing people to go along with the progressive income tax increases required to move the budget fully into the black and to do what really needs doing, from paving the roads to caring for the sick. As a further dividend from this investment of political courage,

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Photo by Eric Myer

Federally subsidized Alltel rescues another farmer from poverty and ignorance

maybe Americans would move beyond adoring Democrats only as their pork-producing congressmen and start trusting them as national leaders again. But don't hold your breath. This spring, the House passed a bill that would sweeten the deal for the telephone borrowers with some new rules that would seem outrageous. . . if only they weren't so predictable.

The path to power

In an age of fax machines and modems, it's hard to imagine life without a telephone, let alone without electric power. But in 1935, barely 1 in 10 American farmers had electricity. That meant no refrigeration. No radio. Water had to be hauled into the house by hand. Ironing required heating up a six-pound chunk of iron on a smoky wood stove. Reading by the dim, flickering light of a kerosene lamp quickly wore out the eyes (in fact, rural students' grades greatly improved on the heels of the introduction of electricity). During this period, rural and urban standards of living in the U.S. were probably as far apart as they have ever been. Despite the constant pleas of farmers, utilities wouldn't supply power to the farms because, they claimed, it would be too expensive to string wires through such thinly populated areas. So the federal government stepped in.

Originally, the REA loans didn't cost the taxpayers anything. The loans were heavily "subsidized," in that they were available at rates far below what the cooperatives could hope to get from private sources, but they were still above the rates that the government itself had to pay to borrow from the public by issuing Treasury bonds (the government's "cost of money"). That meant that as long as the borrowers didn't default, the taxpayers would make a small profit on the loans. And they didn't default, since the electricity proved to be affordable after all. By 1952, almost 9 in 10 farmers had electric power. In other words, taxpayers didn't have to spend a dime to electrify rural America. They started spending in earnest after rural electrification was a fact.

The REA was scheduled to go out of existence in 1946. But not only did it keep lending to electric cooperatives, beginning in 1949, Congress charged it with lending to telephone companies, too. Putting the government—the "lender of last resort"—in the rural telephone business made sense. Even more than in

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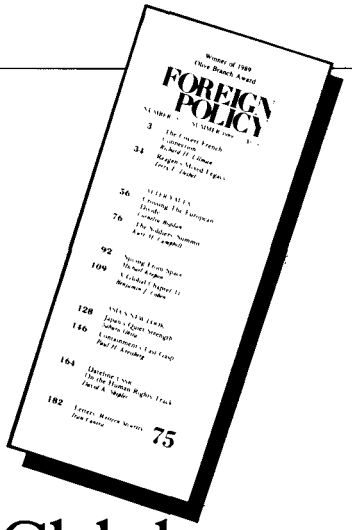

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the city, where there's always a neighbor right next door, a telephone can be a lifesaver on a farm. When a horse drives a hoof into a farmer's head or a child develops appendicitis, help may be miles away. Once again, existing companies refused to run lines to outlying areas; only 35 percent of farmers had phones. The big companies "wouldn't come out to serve our area because the population just wasn't big enough," says Phil Johnson, assistant general manager of the Grand River Telephone Cooperative, which serves 18,000 residents of northern Missouri and southern Iowa. The co-op was founded in 1953; each new member still must buy one share of $5 common stock. "As far as I'm concerned," Johnson says, "everything we have today is because of the REA."

Shortly after the REA began putting up capital for telephone companies, its lending habit started becoming expensive. In 1944, with the government's cost of money at 1.7 percent, the rate for REA loans was pegged at 2 percent. Gradually, the cost to the government crept up, until by 1952 it had climbed above 2 percent forever—and the REA was guaranteed to start losing money on its loans.

Money for nothing

The REA's lending practices have been revamped several times. Each "reform" made the rules more byzantine, but none changed—in fact, most exacerbated—the basic fact that the REA was losing money. From making extremely risky loans above government cost to embryonic borrowers with nowhere else to turn, the federal government started making extremely safe loans at below government cost to longstanding institutions that could easily raise money elsewhere. This is the free market reflected in a fun house mirror; it would make sense only if the government were desperately competing with private sources of capital to lend out money. Here's a layman's guide to the three principal types of loans the REA makes today and to some of the shenanigans that made them possible:

➤The Rural Electrification and Telephone Revolving Fund. From the beginning, the funding for REA loans was appropriated each year as part of the federal budget. But in 1973, supposedly in an effort to wean the borrowers off federal support, Congress ordered that all outstanding loans—$7.9 billion worth—be paid back, not to the Treasury, but into a "revolving fund," from which the money would be loaned out again to other electric and telephone borrowers. "It's sort of a gimmick to make it look like the co-ops are paying their own way, but of course they're not," says a congressional analyst. At the same time, the lending rate was raised to 5 percent—closer to the government cost—with some 2-percent loans still offered to "hardship cases." Now, that $7.9 billion is supposed to be returned—without interest—to the Treasury beginning in 1993. Here's the catch: The borrowers' lobbies managed to get several technical amendments attached to the original law that essentially forced the REA to lend out more money than it got back each year in repayments; to make up the difference, it has had to borrow from the Treasury—at government rates, which are higher.

It's pretty tough to break even when you borrow at 10 percent (or, during the late seventies, as high as 12.4 percent) and lend at 5. So each year, Congress pumps more money into the fund—over $1.2 billion worth. As long as the Revolving Fund keeps lending beyond its means, it probably won't be reabsorbed by the Treasury starting in 1993, and the borrowers will not be weaned off federal money. The House already tried once to make the revolving fund permanent by forgiving the $7.9 billion debt to the REA, but the Senate killed the legislation. As the 1993 deadline approaches, watch for a renewed effort.

➤The Rural Telephone Bank. Since the RTB was set up in 1971, the federal government has funded it with more than half a billion dollars, which, supposedly, the borrowers will eventually pay back in order to privatize the bank. At one point, a buy-back seemed possible. In the mid-eighties (when the bank was originally supposed to go private), the RTB was making loans at just above the cost of money to the government, so it was running a surplus, building up enough cash to pay off Uncle Sam.

But if the RTB were privatized, its lending rates would have to increase, since the federal government would no longer be backing it up—not an attractive proposition to the telephone borrowers. So guess what happened. A Democratic congressman from Oklahoma named Glenn English, one of the greatest friends of REA borrowers in the House and then chairman of a government operations subcommittee with oversight of REA, held a series of hearings investigating the "illegal profits" that the RTB was making. The result was what one former REA official refers to as the "greed and access provisions" of the Omnibus Budget Reconciliation Act of 1987—a bill the president literally couldn't afford to veto. Congress ordered the RTB to lend out the surplus it had built up (that's the access), and English worked a complex rate-setting formula into the legislation that has held the lending rate to 5 percent ever since (the greed). This means that for next year, instead of being paid back for their initial investment, the taxpayers will eat about 20 cents of each dollar loaned by the RTB. If you believe the RTB will actually go private by the new target date, 1995, I've got a great 5-percent lending opportunity for you.

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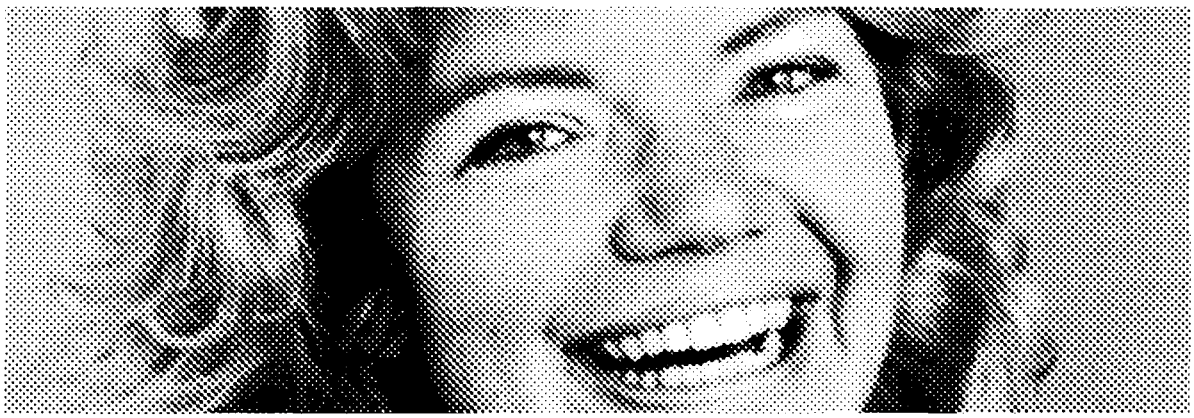
'Listen, my momma may have raised a mean child, but she raised no hypocrites.'

—Molly Ivins, The Progressive



Molly Ivins on the Bush Administration:

"We do have some minimal standards for citizenship. Real Texans do not wear blue slacks with little green whales all over them. Real Texans do not refer to trouble as 'deep doo-doo.' George Bush has a hard time passing."
The Progressive, March 1988

"Deep down, George Bush is shallow."
The Progressive, March 1989

"While people rejoiced the world over at the end of the Cold War, the United States under George Bush seems destined to be the last country in the neighborhood to be dipped for ticks."
The Progressive, January 1990

"Having upset every living person between the Rio Grande and Tierra del Fuego by invading Panama, our only President then proposed to settle everyone down by dispatching the ineffable Dan Quayle on a peace mission. To tell them all they looked like happy campers to him. Unfortunately, as one country after another elected not to receive Danny Q., his mission had to be scaled back. They finally let him out to say hidy to the maitre d' at a Taco Bell."
The Progressive, March 1990

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➤Also in 1973, the REA got the authority to fully guarantee loans made to electric and telephone borrowers by the Federal Financing Bank (which lends money at a rate barely above cost) and by private sources. Like the deposit insurance that drove the crazy S&L lending, this was a great deal for everyone except the taxpayers. The REA is now trying to negotiate some $6 billion worth of bad loans.

Haywires

Up until 1971, when the Rural Telephone Bank was created, the REA had never loaned out more than $500 million in a given year; in 1974, after the RTB, the revolving fund, and the guarantees were all in place, it approved almost $2 billion worth, most of it from the Federal Financing Bank. That figure surged to more than $7 billion in 1980 before tapering off to an average of about $1.5 billion for the last three years. Naturally, defending this explosion in lending after the agency had accomplished its goals required some changes in rationale. Now that a higher proportion of farmers have telephones than do Chicagoans, supporters of the REA no longer talk too much about stringing communications and energy lifelines into the heartland. Instead, they talk about "protecting universal service" while improving it—essentially, making sure that rates stay affordable for rural users. There are a couple of holes in their logic.

First, according to the Congressional Budget Office and the FCC, there's no proof that it's more expensive to provide electricity or telephones to rural areas. Common sense would suggest that it is, since, all other things being equal, a company out in the sticks will have many fewer subscribers per mile to defray the high costs of putting up poles and stringing wires. But everything else isn't equal. It turns out that rural companies save money where urban ones can't: They tend to have lower labor costs and to require less investment in central plant equipment, for example. Similarly, a CBO analysis of electric companies, in the words of a government analyst who tracks the REA, "didn't find any correlation between how rural they are and how high their rates are. . . . A lot of [other] factors tended to be more important in the aggregate than how dispersed the area was." Those factors included such exotic considerations as whether or not the company was efficient and had good management.

Second, now that universal service is pretty much a fact, the urban/rural split is an outdated way to approach assisting telephone and electricity users who can't afford their bills. Not only does the government pay part of the bills of rural users regardless of their income, while offering the urban poor no such breaks; it *taxes* the urban poor to pay those rural bills—a move that adds injury to insult. In fact, according to the FCC, telephone rates in rural areas tend to be lower than those in the cities. If the government is really concerned about people being able to afford electricity and telephone service—and it should be—why doesn't it just give the benefits directly to the needy users (through, say, a tax credit), instead of handing them to big cooperatives and corporations who smear them across the countryside?

Fiber optic nerve

When you examine the REA's lending programs in theory, they seem merely dumb. It's when you look at them in practice that they become offensive. Consider the rural/urban split again. That division has gotten a little fuzzy since the cities began to sprawl. The REA, however, has resolutely ignored any changes in demographics: It will lend to any co-op or company serving an area that has ever been designated as "rural"—originally defined as a town with under 1,500 inhabitants. "Once you're in, you're in," explains a congressional analyst. "Once rural, always rural," says a Reagan administration official. "Once a borrower," summarizes a former REA official, "always a borrower." So where most of us see a thriving suburban bedroom community in Manassas, Virginia, the REA still sees horny-handed farmers trying to coax their exhausted wives to pedal just a little faster so they can get the sheep sheared on time. In other words, it subsidizes their electric bills with some $150 million worth of below-market loans.

Alltel's 1989 annual report features a glossy photo of two telephone company workers examining some wires. They are standing on a broad lawn strewn with autumn leaves, before a colonial mansion, two pumpkins perched on the porch. Through the trees, another, identical mansion looms in the background. The caption reads: "In the Piper Glen development near Charlotte, N.C.—one of the many growing suburban markets Alltel serves—the Company is testing the use of fiber optics to provide enhanced communications services." It's hard to tell from this picture that the residents of posh Piper Glen are on the dole. But the Alltel subsidiary that provides service to this area qualified for $54 million in cut-rate loans and managed to get the REA to fully guarantee $22.7 million more at Treasury rates.

The fundamental reason that the REA's lending programs should be drastically scaled back is that most of the borrowers simply don't need them. Between 1980 and 1988, the REA telephone borrowers' net operating profit margins doubled; a 1989 Kidder Peabody analysis showed that the average telephone

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borrower could easily attract lenders on the private market. Sure, the Silver Star telephone company of Freedom, Wyoming may need its $2.1 million in REA loans to keep up service to its 1,324 subscribers. But last year, Contel, a company that owns subsidiaries across the country, launched its third satellite off the space shuttle *Discovery* and racked up revenues of $3.1 billion. Why on earth does it deserve almost half a billion dollars in cut-rate loans?

In building an electricity and communications infrastructure through rural America, the REA also created a powerful grassroots political structure that has gotten richer and smarter as the borrowers have grown. In Washington, the electric co-ops are represented by the National Rural Electric Cooperative Association (the NRECA); four different lobbies fight for the cooperative, investor-owned, and private companies that can get telephone loans. Many of the top staff in the lobbies are former REA or congressional officials (Bob Bergland, the executive vice president and general manager of the NRECA, is a former congressman and secretary of agriculture). Those who have battled these groups are particularly in awe of the NRECA. "It is probably one of the most polished lobbying groups—aside from Social Security—in this town," says a former REA official. "The REA has, I think, one legislative person, and the NRECA has nine registered lobbyists. So it's nine to one. That's tough." The REA wasn't the only agency doing that kind of math. At OMB, says Randy Davis, "One time we figured out that [the NRECA's] congressional staff was larger than my OMB staff—let alone the people I had working on the REA. And their existence is based on the continuation of these federal programs."

The REA can't deny a cut-rate loan to a borrower, no matter how much money the borrower has.

The NRECA's political clout on the Hill, and to a lesser extent that of the telephone lobbies, comes from the co-ops. "They have that sort of motherhood flavor," says Frederick Khedouri, the associate OMB director who preceded Davis. "They're local people—they're good guys." Each of the co-ops, which are liberally scattered through congressional districts across the country, has a board composed of some of the most prominent citizens in the community. And the lobbies can reach all beneficiaries of the REA by dropping inserts in with their bills each month. What rural congressman could deny such a constituency? Khedouri described trying in the early eighties to write regulations that would prevent electric companies from borrowing directly from the Federal Financing Bank; instead, they would have to take their federal guarantee and apply it to a private loan. That new rule got nowhere. "The Congress immediately legislated it right out of existence. It passed the House by something like 417 to 3. So that was the framework in which we were operating." The mystery, of course, is why so many urban congressmen played along. Fortunately for the REA borrowers, it turns out that the traditional combination of obfuscation, cajoling, intimidation, and inertia has always been more than enough to sway them.

Obfuscation. The loan programs are extremely complicated, and few congressmen other than the ones who are out to preserve them are willing to invest the time to figure them out. "The best example of hiding behind complexity is when [Rep.] English changed the formula for interest rates" for the Rural Telephone Bank, says an administration official who has fought the REA for years and gotten a little frustrated in the process. "It was so fucking complex that no one could figure it out." As a result, no one really challenged it. No one seems to have noticed that the bill the House passed this spring would make some radical changes in the loan program. "I really can't think of anyone who's delved into it," says an aide to a congressman known for his antipathy to subsidies. Even the National Taxpayers' Union (NTU), which has fought the REA lending programs for years, didn't notice. "You can write that you got this lobbyist's butt off the dime," said Sheila Macdonald of the NTU when I asked her about the legislation. "I'm going to get hopping on it."

Cajoling. Each time a piece of legislation affecting the REA comes up, the NRECA brings literally thousands of co-op directors to town and sics them on their congressmen. But what about the city representatives? "They've got one of those 'Adopt-an-Urban-Congressman' programs," says an administration official. Delegations are dispatched to the offices of city congressmen to plead their case.

Intimidation. You can imagine the campaign commercial: "He tried to cut the energy lifelines to America's farms. . . . " The telephone lobbies also have an effective line: "The minute that you say you don't

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want to have subsidized loans, they say 'Oh, they want to take away the phones from rural America, they're going to make the phones go dead,'" says Macdonald. The NRECA spent almost $450,000 on candidates in 1988 and $270,000 so far in 1990. Senator Paula Hawkins was one of the last members of Congress to take on the lobbies. As chair of the Senate subcommittee with oversight of rural electrification, she held hearings into REA lending practices. During her 1986 campaign, the NRECA gave $10,000 to her opponent—more than it gave to any other congressional candidate that year. Hawkins lost. "Obviously, they did her some damage," her campaign manager told *The Wall Street Journal.*

Inertia. This is partly a function of the three previous forces. It means that once a program is authorized, it's almost impossible to eliminate. Americans may want to see the budget cut, but it's hard to translate that political will into surgical reductions. The problem isn't just that everyone can agree only that somebody else's benefits should be cut, it's that they don't particularly care who that somebody else is. The farmer is less sensitive to (in fact, is probably oblivious to) the $5 he sacrifices each year to support the Small Business Administration than he is to the benefit he is accustomed to getting from the Rural Electrification Administration—mostly because his electricity and telephone companies constantly remind him of it. So the national call to cut programs is general and vague, but the district-by-district call to preserve them is itemized and intense. Congressmen respond to the latter, which means the executive branch—which has its own pet programs it wants to save—can't get a whole lot of mileage out of the former.

As a result of all this, who was willing to bear the administration's standard on the Hill for REA cutbacks? "Basically, no one," says Randy Davis. "Jesse Helms was willing to support us," another Reagan administration official says, "but he's sort of the kiss of death." So the administration essentially accepted the program's survival as inevitable. "It was never a major emphasis on our side to reform that program, because there was never much prospect of Congress going along," says Davis. "Where we really drew the line, though, was on losing ground." Now can you see where this $160 billion deficit came from?

This year, each house passed a version of a "rural development" act. The Senate bill calls for expanding the REA's mission into development projects besides electricity and communications—which means freeing up more money for REA borrowers. For example, it authorizes a new $40 million program for the REA to make loans to electric and telephone companies to set up water and sewage facilities. The NRECA has been pushing for these sorts of changes for several years. "It's a duplication of things that are already being done by the Department of Agriculture," says Harold Hunter, who resisted this expansion of the REA's role while he was head of the agency. So why are they doing it? "Because [development] is a very vital activity to give them a reason for existence. . . . They see it as a way to keep the REA going." At OMB, they used to describe REA supporters' efforts to expand the agency's mission this way: "The sun is setting, so they're trying to stop the earth from spinning."

Entitlement VII

The theme of the House bill is "flexibility." It also broadens the REA's mission, but it calls for no new appropriations for the new programs. In addition, it contains a section ("Title VII") that would make some fairly startling changes to benefit the telephone borrowers—naturally enough, since they were the ones who wrote them. "Title VII," says Tom Walker of the National Telephone Cooperative Association, "is a set of concepts and ideas and whatever that we helped get together and passed on to the appropriate people in the House." Those "appropriate people," he says, were English and E. Thomas Coleman, a Republican from Missouri and the ranking minority member of the subcommittee on rural development that English chairs. Title VII basically shoots down, one by one, several efforts by the administration and the REA to restrict lending. For example:

➤Congress always sets a minimum and maximum amount that the RTB can loan out in a given year. For the past few years, OMB has refused to let them lend above the minimum. If enacted, Title VII would not only make that move illegal, it would force the RTB to lend out, at 5 percent, the difference between the minimum and the maximum ever since OMB started using the trick. "All of that money is suddenly available," says an administration official—$544 million worth.

➤The REA announced about a year ago that the revolving fund and the RTB would make loans to finance only the improvement, construction, or acquisition of telephone lines or facilities. Except in hardship cases, it wouldn't back buying vehicles, furniture, office equipment, and office buildings. Title VII would force the REA to finance all such investments.

➤In the past, almost all REA loans were paid back over 35 years. But the REA found that equipment could become obsolete in as short a period as 12 years, at which time the borrower reappeared, hat in hand, for more money for an upgrade. So as part of

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last year's new regulations, the REA announced that from now on, it would peg the amortization period of its loans to the expected useful life of the equipment the loan would buy. This reasonable proposal was too much for the lobbies—and evidently for Congress, too. Title VII puts the *borrowers* in charge of deciding how long they want to take to pay back each loan. That rule exists in no other federal lending program.

➤Title VII forbids the REA to demand that borrowers raise their rates or otherwise improve their ratio of cash flow to debt in order to qualify for a loan. In other words, if Donald Trump were an REA borrower, he'd be able to get financing for a fourth money-losing casino in Atlantic City. One effect of this provision would be to allow more companies to qualify as hardship cases, eligible for loans at 2 percent—less than a quarter of what the government pays to borrow.

➤"The Administrator and the Governor of the telephone bank shall not . . . deny or reduce any loan or loan advance under this Act based on a borrower's level of general funds." Get it? The REA can't deny a cut-rate loan to a borrower, *no matter how much money the borrower has*. Does that sound like common sense to you? Well, here's the kicker: That same rule, attached annually to appropriations bills by Jamie Whitten, the Mississippi Democrat who chairs the House Appropriations Committee, has been in force for at least the past seven years. Getting it into the Rural Development Act would simply save Whitten from having to go through that annual ritual. It seems astonishing that in floor debate on the bill this year, not a single representative objected to this or any of the other provisions listed above.

According to House and Senate staff members and lobbyists, it's too early to predict what the Rural Development Act will look like when it emerges from conference. The NRECA is happier with the Senate bill, the telephone lobbies with the House version. But the two bills don't conflict, so the conferees may just decide to please everyone and stick the two together. After all, as Tom Walker, the lobbyist for the NTCA, says of the Senate legislation, "As long as it doesn't hurt the program, it's OK."

The problem, of course, is that the program hurts all of us. Maybe the conferees will catch on to that fact. Maybe they will realize that it doesn't make much sense for the government to pay for the privilege of lending money to millionaires. And—who knows?—maybe they will actually wake up to the fact that, even though the REA isn't a big ticket item, if you cut a hundred million here and a hundred million there, pretty soon you're talking about real leadership. □

The Washington Monthly

JOURNALISM AWARD

FOR APRIL 1990 IS PRESENTED TO

Gregg Easterbrook
The New Republic

In this encyclopedic and provocative survey of environmental issues, Easterbrook debunks much conventional wisdom, puts many new ideas on the table, and even manages to have some fun. He shows that both the right and the left are hobbled by ecological dogmas, stating that "environmental legislation often causes business disruptions, but to my knowledge no economist has ever demonstrated net job loss. . . . Some environmental regulations have even made industries more competitive," while also wondering, "Is there one environmentalist in a million who actually lives in a dwelling with no power or central heat, grows all his own food, would, if injured, refuse high-tech medical care or, if ill, refuse drugs, never rides in any car, subway, bus, or train, and declines to attend environmental conferences because it would take too long to ride there on a horse?" Easterbrook crunches numbers when the discussion demands it, but many of his reform proposals are just plain common sense. Noting that the typical pre-1975 car now emits 25 times as much pollution as the typical new car, Easterbrook suggests a bounty program. "Paying people to junk outdated cars might be more socially efficacious than trying to wring the last fraction of a gram of smog from new car exhaust."

The Monthly Journalism Award is presented each month to the best newspaper, magazine, television, or radio story (or series of stories) on our political system. Nominations for any newspaper, magazine, or radio or television station in the country are welcome. The subject can be government in its federal, state, or municipal manifestation. Please send nominations to Monthly Journalism Award, 1611 Connecticut Ave. NW, Washington, D.C. 20009. Two copies of the article or broadcast text should accompany the nomination.

The award for stories published or aired in May and June will be announced in the September issue. Nominations for stories published or aired in July will close August 15. The winner will be announced in the October issue.

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The 100 Grand Illusion

The problem with the banks and thrifts that they still haven't fixed

by Matthew Miller

They said they fixed it. But they lied.

Even with a year-long debate, massive legislation, and "never again" assurances from every corner, the S&L bailout failed to address the fundamental threat to our banking system. The shocking result? Though we've just forked up a cool $150 billion, our biggest banking crisis is still ahead of us.

The problem is federal deposit insurance. It began in the 1930s as a sensible way of restoring confidence and preventing bank runs. Yet it also transferred all credit risk in the banking system to the taxpayer, by assuring that the government stood ready to repay depositors whenever some daredevil or dimwit threw money away on nutty loans. Bankers, like trapeze artists, try riskier stunts when they know there's a net beneath them. By 1980, when coverage per account was hiked from $40,000 to $100,000 in a legislative ploy that went virtually unnoticed, that net became more of a fundraising tool for marginal banks than a guardian of the little guy's savings. We learned just how expensive that coverage was when failing S&Ls used deposits attracted by the enlarged federal guarantee to gamble on shopping malls, cattle farms, and junk bonds—and then stuck us with the bill. The price of this blank check? If coverage hadn't been hiked in 1980 and perverted the intent of insured funds, says former FDIC Chairman William Isaac, "We would have saved $50 billion or more."

If those numbers seem big to you, keep counting. Because our 13,000 commercial banks—sporting, at $3 trillion, three times the deposits of the S&Ls—could make today's crisis look pint-sized. There may have been less reason to worry about a blank insurance check in the old days, when banks faced little competition and earned stable profits. But because of dramatic changes since the early 1970s, banking is more vulnerable today than at any time since the Depression. Consider: more commercial banks failed (that's right, *not* S&Ls) in the past two years than ever before. They've written off $75 billion in bad loans since 1986—when the economy has been strong—compared with just $28 billion over the entire 1948-81 period. Absorbing these hits in the past two years has stuck the FDIC insurance fund with its first losses ever and left the fund holding a historic low of 70 cents for every $100 of insured deposits. Experts say that even a mild recession could now bankrupt the fund completely—and then guess who's on the hook again?

You'd think the potential for a commercial bank sequel to the S&L insurance meltdown would have our leaders sounding the alarm—but you won't find any profiles in courage when it might mean tampering with what is now perceived as virtually a consti-

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tutional right. Any proposal to change deposit insurance coverage is "like saying you're going to take away social security benefits," says ex-FDIC chief Isaac. "It would be an enormous political battle." With feel-good politics still the reigning fashion in Washington, there aren't any takers. Treasury Secretary Brady got so scared by the outcry over his early suggestion that depositors pay a tiny fee to help cover the S&L payoff that he's since become The Invisible Man. Politicians who understand the stakes would sooner sacrifice their first-born than talk about reducing the $100,000 coverage. And even normally gutsy free agents like FDIC chairman William Seidman, who told the National Press Club in 1988 that "a deposit insurance system out of control has the potential to 'melt down' and damage the entire U.S. economy," evasively says today, "I haven't got a preferred solution at the moment."

Despite the stakes, villainless themes like "the risks of deposit insurance in a modern banking system" won't inspire press coverage, either. "It's not a concept that lends itself to a picture," laments Rep. Charles Schumer, who sits on the House Banking Committee. "They like to focus on misdeeds—it's much easier to tell a morality story." *Wall Street Journal* editor Robert Bartley thinks the media blows it because the story doesn't fit the conventional wisdoms that untutored journalists rely on to peg complicated issues. "The stereotype [on banking] has been 'deregulation,'" he says. "Deposit insurance doesn't fit that. Until something happens that changes that stereotype, the deposit insurance angle won't catch on."

We may not have the luxury of waiting. Banks, boxed in by 50-year-old restrictions on their activities, may soon get the power to underwrite stocks and sell insurance. This means our tax dollars could be insuring everything from bum public offerings to burning buildings if the federal safety net isn't cut out from under these new "banking" businesses. A decade ago thrifts got precisely this chance to bankroll newfangled investments with Uncle Sam's credit card. Did somebody say *deja vu*?

Meanwhile, Congress wages more important battles against flag burning and homoerotic art. And Treasury—where the leadership should come from—rests on laurels that would make even shiftless bureaucrats blush. The Brady Commission's post-crash report on stock market reform went nowhere. The Brady Plan on developing country debt vanished without a trace. Brady's touted program to get corporate America focused on the long-term was never proposed. Now Treasury and the Congress are sitting on a deposit insurance powderkeg, and the silence is deafening.

How did a certifiably good thing like deposit insurance become an agent of ruin? Understanding the transformation requires a brief trot through banking history. Once upon a time banking was a nice little racket. That's because the collapse of the banking system in the Great Depression prompted government at all levels to legislate banking competition out of existence. Congress and the states set geographic restrictions on bank expansion, including limits on branching and guild-like hurdles to obtaining new bank charters. Commercial banks got the exclusive right to offer checking accounts, which everyone needs. Competition between banks was deterred by slapping ceilings on the interest rates they could offer to compete for funds. With newly enacted deposit insurance thrown in, each bank, whatever its size or pedigree, was as good as any other.

The result was a series of regional cartels in which even comatose bankers were sure to be moneymakers. The system relied on its stranglehold on individual depositors (and mortgage-seekers) like you and me and business and mortgage borrowers. Since nobody had alternatives, being a successful banker didn't exactly take genius—you took in money below the mandated interest ceilings and lent it out at a few points more.

Capital punishment

This basic structure worked well for decades. Bank failures seemed to be a relic of some bygone era. But beginning in the early 1970s the world changed. First, commercial banks woke up to find their dependable monopolies threatened at every turn. Big businesses got smart and found they could raise funds more cheaply by issuing their commercial paper directly to the markets—they didn't need a middleman to assess how creditworthy they were. Meanwhile, the banks' consumer business got squeezed as companies like Chrysler, Ford, and GM formed finance subsidiaries to make cheap credit an attractive part of their marketing strategies.

The crowning blow, however, was the takeoff of inflation. This brought higher interest rates as lenders demanded compensation for the value their money lost before repayment. As market rates bumped up against the ceilings that banks could legally offer, investment management firms launched money market funds promising more. Bank depositors fled in droves, removing the captive source of funds that had kept banks fat and happy for decades.

The impact on S&Ls—whose special charter was to funnel our savings into low-rate home mortgages—was even more dramatic, however. When interest rates skyrocketed, the value of these old mort-

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gages plummeted. (Why? Think of it this way: if someone tried to sell you an old $100,000 mortgage paying 6 percent and your alternative was to put your cash in a money market and earn 10 percent, you'd offer him less than $100,000 for the mortgage.) What's worse, the thrifts had to offer higher rates to attract new deposits than they were getting in cash from these old home loans. The result? By the late 1970s, much of the thrift industry was insolvent, though its books didn't show it. (That's because accounting rules let you continue to carry that mortgage mentioned above at a stated value of $100,000, even though everyone knows it's worth less.) When the old interest rate ceilings were finally phased out in 1980, that at least helped commercial banks compete without having to offer us toasters in lieu of higher interest. But it couldn't get the S&Ls out of their bind.

Uncle Sam and Mr. Ponzi

It was precisely at this point that deposit insurance became nefarious. Like Frankenstein, however, the monster deposit insurance became was totally man-made.

Here's what happened. Banks are not like normal businesses when they reach the brink of insolvency. In an ordinary business, if you don't have the cash to make the payroll or pay your suppliers, you close down. In a federally insured bank, however, you simply raise interest rates a little bit higher than the bank next door. That way you attract the cash deposits to meet your expenses and invest what's left over in whatever you think will return enough to get you out of the hole. The depositors don't care that you're insolvent because their money is government-guaranteed. If this sounds like a Ponzi scheme, it is. Except that the government didn't put Ponzi in business.

Agencies that regulate banks exist largely because of this Ponzi-style risk. The single essential thing that regulators must do is close down banks that are insolvent rather than let them try to gamble their way out of trouble. The story of how the Federal Home Loan Bank Board and gaggles of willing legislators were bamboozled by these insolvent thrifts into broadening their investment powers and letting them stay open is familiar. What never grabs headlines, however, is how a single devious stroke added a whopping $50 billion to our bill when deposit insurance was raised from $40,000 to $100,000 in 1980.

Henry Gonzalez, the Texas Democrat who chairs the House Banking Committee, remembers the event well. He and 10 other members were on the floor for other reasons in early 1980 when Rep. Fernand St. Germain, then the powerful Banking Committee chair and pawn of the S&L trade association, came in. He asked for unanimous consent to amendments he'd arranged to have proposed in conference on the pending banking bill. There were no copies of the provisions available other than the one the House clerk was holding. The amendments contained the item raising the federal insurance guarantee by 150 percent. Forget the fact that more than 75 percent of U.S. households today (let alone 10 years ago!) have less than $10,000 in liquid assets. This is how $100,000 coverage in a program originally intended to protect the proverbial widows and orphans against bank failure was pushed through.

"There was never one minute's consideration or hearing on that increase," says Gonzalez. "It took minutes—there was no debate." The deadly new provision was equally ignored on the Senate floor.

Debate or no, $100,000 coverage became a bank marketing manager's dream. What's more, since the "limit" applied per depositor per institution, rich folks could spread their money among lots of banks and have all of it totally insured. Professionally managed "brokered funds" were parceled out to insolvent thrifts nationwide in handy $100,000 chunks. By the end of last year, in excess of $130 billion of this "hot money" was on deposit nationwide. What could make it more obvious that we need to immediately restrict insurance to a depositor's *total* funds? Well, bank ads, for one thing. "Our Bank Investment Contract," boasted one bank in an ad featuring a photo of the Capitol, "Offers the Backing of a Higher Authority." Another, Columbia Savings of California, used the money attracted through Uncle Sam's smiling guarantee to bet the farm on Michael Milken's junk bonds until times got tough.

Not exactly the S&L you knew and loved in "It's A Wonderful Life." Deposit insurance "hasn't gone to those it was intended to cover," says Henry Gonzalez. "It's been completely diverted from its intent."

With firemen like these . . .

The perverse incentives and unintended beneficiaries of deposit insurance were hardly news to the Brady bunch that had to propose a way out of the S&L mess last year. Assuming you wanted to solve things, there were basically two approaches you could take. The first would be to face deposit insurance head-on, limiting taxpayer exposure (and fat-cat benefits) by cutting back the amount of coverage. The other way would be to tighten regulation to reduce the odds that losses requiring insurance payoffs could occur in the first place. Going this route involves upgrading thrift capital standards and assuring that sinking thrifts get closed fast before the Ponzi temptation takes over.

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The head-on option got jettisoned at the outset. In December 1988, shortly after Bush's election (after a campaign, recall, in which both parties, dripping with blame, agreed not to raise a peep about the issue), a meeting to discuss S&L solutions was convened in Alan Greenspan's library at the Fed. All the heavyweights from the Federal Reserve and Treasury were there—except Nicholas Brady, who apparently had better things to do than shape the future of the financial system he oversees.

Greenspan floated the idea of a deposit insurance overhaul and talked about abolishing the separate thrift industry. But such ambitions faded, given the three weeks they had to put together a plan. So the group punted by including a Treasury-led study of the deposit insurance issue in legislation, with recommendations due to Congress by February 1991.

Up to one quarter of the $3 trillion in the U.S. banking system may be vulnerable. Commercial banks now have $150 billion invested in leveraged buyouts and $600 billion in commercial real estate, a state of affairs reminiscent of the S&L meltdown.

This dodge will become a matter of hot debate as the bailout continues to be botched and the political finger-pointing mounts. "It was clear," says Michael Bradfield, former Federal Reserve general counsel and a participant in the December 1988 session, "that you couldn't address these fundamental issues at the same time you were trying to get Congress to appropriate $50 billion for relief."

This missed opportunity to educate the public on the deposit insurance issue (and on the Democrats' responsibility for raising the coverage) is "the Bush administration's biggest mistake thus far," according to *The Wall Street Journal*'s Bartley. "When they had a chance, they didn't propose anything," Bartley says. "The result is they're being blamed for the rising cost of the S&L bailout when it should be Congress."

William Seidman's response to the fuss was more of an excuse than an explanation: "We had a fire to put out." Maybe so. But with firefighters like these, we'd all better start organizing our own bucket brigade. Some highlights from the final S&L bill show why:

Capital: The new thrift standards come advertised as "banklike." That's enough to make you really sweat about the banks. Thrift owners under this so-called "get tough" approach have to put only $3 from their own pockets behind every $100 in loans they make. And the rules are so loose that for five more years the same old accounting tricks will get cash-short operators halfway to that weak level. How'd that happen? "The people who had the power to get it [lenient capital standards] in the first place," says banking expert Ed Kane of Ohio State University, "have the power to get it transitioned out slowly." "They didn't completely succeed," says Henry Gonzalez of the industry's attempt to water down standards, "but we lost some ground." Hill staff members say our fearless leaders shed plenty of tears for thrift owners so low on capital they'd have trouble meeting even these shoddy standards, and thus grandfathered things accordingly. How do discredited S&L executives continue to bend Congress to their will hundreds of billions of dollars later? "They're very personable, they're very earnest," says one aide. "And they're from your district."

Brokered funds: In theory, "troubled institutions" that don't meet the new capital standards can no longer bid for brokered money to fund further growth. That's a little like cutting off a junkie after he's gone through all the drugs. What's worse, mismanaged S&Ls that haven't been shut down yet can still get waivers that allow using brokered funds anyway.

Shaky Thrifts: Even after the bail-out legislation's new rules, the chief causes of the S&L disaster—a toxic combination of institutional recklessness and depositor indifference and greed—are still in full flower. The chairman of Washington Federal Savings, for example, wrote depositors in April that despite the legislation, "insolvent institutions . . . continue to pay excessive rates for deposits . . . increasing our cost of funds."

Prompt Closure: The FDIC gets lots of new powers, but the fundamental discretion about when to take action remains. True, the FDIC has a much better record of supervision than the notoriously lax Home Loan Bank Board. But as long as bureaucrats are human, they'll have an incentive to sweep trouble under the rug. And Seidman, whose personal credi-

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bility with Congress won his agency this new role, is already being ousted by President Bush for not being a "team player."

Meanwhile, as the Bush administration stumbles through yesterday's mess and prepares for the biggest real estate fire sale in human history, tomorrow's deposit insurance crisis simmers. Bush, Brady, and Co. are so busy worrying about the political damage coming from the S&L disaster that signs of a new crisis including commercial banks may not even be registering.

Over the past decade, banks—jilted by their most credit-worthy borrowers and squeezed by new competitors—have been forced to take on riskier business to survive. Banking expert Lowell Bryan of McKinsey and Company told the Senate Banking Committee last month that up to one-quarter of the $3 trillion in the U.S. banking system may be vulnerable. Commercial banks now have $150 billion invested in leveraged buyouts and $600 billion in commercial real estate, a risky state of affairs Bryan calls "depressingly reminiscent" of the S&L meltdown.

The FDIC's list of 1,100 "problem" banks (though down from its 1987 peak) now hovers at five times its early-eighties level. Gobs of Third World debt sit like time bombs on bank balance sheets. This spring the big rating agencies even downgraded Citicorp's once-invulnerable credit rating. And with the Brady bunch diverting the best brains to damage control on the high-profile S&L front, there are more rookies minding the store on the bank side. "There's no doubt," says John Bovenzi, William Seidman's deputy at the FDIC. "We've spread ourselves about as far as we can."

The timing couldn't be worse. Past experience suggests that in a recession, bank write-offs will double, with losses concentrated in 20 percent of the industry. Even with recent increases in FDIC insurance premiums, one in five banks could go under and utterly deplete the FDIC backstop long before the last depositor is made whole.

Profiles in cowardice

"Voiceover: Congressman Jack Doolittle—when he wasn't busy putting convicted killers back on the street, he slashed the insurance that protects your life's savings."

Your nightmares may not take the form of thirty-second attack ads. But you can bet your congressman's do. Getting inside this mentality is the prerequisite for understanding the political obstacles awaiting reform even if some of our leaders wake up. Shortly after the FDIC's Seidman took the helm in 1985, he went to the Hill to discuss cutting back deposit insurance coverage. "I was not successful in getting one single member of either party to even consider proposing it," he told *Institutional Investor* last year. When Henry Gonzalez dared to opine last fall that $100,000 coverage might not be a "divine right," *The New York Times* promptly responded that anything less would expose depositors to "horrific anxiety."

"For better or worse," says Kenneth Guenther, executive vice president of the Independent Bankers Association of America (IBAA), the community bank trade group that is the chief advocate of the status quo, "we have a middle class entitlement here."

At first blush it seems strange that the politics of untouchability apply here as they do to Social Security. Like Brazil's new President Collor—who's just frozen most Brazilian bank accounts to curb inflation—you'd think pols here would see that you've got considerable freedom to move on financial measures when only a few voters have enough money to be affected by them. But fear isn't always a rational thing, as most congressional behavior in the face of a 98 percent reelection rate attests. So even otherwise substantive politicians have developed handy non sequiturs to avoid being associated with any reduction of the $100,000 coverage.

Take Brooklyn Democrat Schumer, who sits on the House Banking Committee. In hearings this February and on the phone with me this past May, Schumer led with the argument that "just to move to slash deposit insurance from $100,000 to $50,000 or $40,000 isn't going to accomplish very much," because money brokers will just find a way to lump the funds together and extend their coverage as they do now. But anyone with a brain knows that limiting coverage to a total amount still defeats the brokers. It's a straw man technique and Schumer knows it, but it's useful rhetorically to get past any reporter's first question and to go on the record as pro-$100,000. Only later in a conversation does Schumer fess up about the $100,000 limit: "The political chips that would be expended to change it wouldn't bring a commensurate good."

Jim Leach, the Iowa Republican who went so far as to vote against the S&L bill in part because it failed to take on deposit insurance, has his own brand of entitlement doubletalk. Consider all the dubious arguments and fancy euphemisms Leach can spin in a single sitting to avoid saying, "You just can't cut it once it's there": "It's not a political thing as much as a public kind of habit." "There's a 'system-confidence-quotient' in decision-making on deposit insurance that cannot be ignored." "It's a little bit like tax policy—high rates for higher income groups sometimes don't appeal to people in middle income brack-

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ets because they hope to become people in higher income brackets themselves." And finally: "Well, the $100,000 is going down 4 percent a year—by inflation—so if there's a case for gradualism, it's occurring." If anyone was looking for evidence that a political career in the age of entitlement is incompatible with a commitment to language as a vehicle for truth, *voila*. And this from one of the House's more substantive players.

It's not only congressmen who know how to be cowards, however. Days before George Bush took office, Beryl Sprinkel, chairman of President Reagan's Council of Economic Advisors, ignited a brief firestorm when in his parting *Economic Report of the President* he dared to propose a reduction in the current $100,000 insurance level as part of a lasting S&L solution. Nicholas Brady denied that such heresies were even being discussed. His instincts about what would fly politically were correct: Days later, he took a media drubbing for publicly entertaining a miniscule 25 cent per $100 fee on depositors' accounts to help pay off savers at failed thrifts. To Brady's credit, the idea was both direct and fair, since depositors are also the ones who benefit from extra-high interest rates when federally insured banks bid for their deposits. And in any event, the alternative (eventually legislated) of charging higher insurance premiums to banks gets passed through to the depositors anyway. But when "Brady's blunder" was called "politically naive" and "inept and offensive," the secretary turned yellow and ran.

If coverage hadn't been hiked in 1980 and perverted the intent of insured funds, says former FDIC Chairman William Isaac, "We would have saved $50 billion or more."

Yellow capitalism

Such squirms are a delight to the IBAA's 6,000 small community banks, who feverishly defend the status quo as vital to their ability to compete with big banks in attracting deposits. Since the Continental Illinois bailout in 1985—when all depositors *above* the $100,000 limit were paid off in full also—they argue that everyone (including the banks themselves) knows that these big banks are considered "too big to fail." Regulators in a crisis may inevitably perceive that allowing uninsured deposits to be lost in a major bank failure would shake confidence in the system and cause macroeconomic disruptions. That's fine, says the IBAA's Kenneth Guenther—but then small banks need some compensating tool to make them seem equally sound.

Of course, that's an argument for insurance in general, not an argument for $100,000. I suggested to Guenther that he could have been making the same passionate case for $40,000 and asked why, really, the IBAA thought the scope of taxpayer liability should be more than double its level in 1980, more than triple what it would be had the original 1935 coverage of $2500 been consistently adjusted for inflation, and up to 10 times the average bank account of an American.

"This is what it is," he told me. "And don't mess with it."

What the IBAA is really concerned with isn't losing individuals' deposits but the ability to offer good-as-gold accounts for small business customers. That's a fine thing to want, but not everything everybody wants can drive public policy. Still, Guenther predicts a "rebellion" should next year's Treasury study recommend cuts in existing levels. He's counting on the credit unions, the small business trade groups, the elderly, and (that's right) the S&Ls to join the IBAA in leading the charge for inertia.

Are legislators quaking already? Maybe not, says Guenther, but "We and our allies will hopefully create that 'sensitivity' in the year ahead."

For those of us not subject to this kind of sensitivity training, some prompt reforms make sense. Luckily the issue has been punted for so long that a ton of promising ideas are out there that can form the basis of a comprehensive overhaul.

On the coverage side, it's time to introduce a deductible into deposit insurance. That's the way insurance companies in every other field—like health or auto—make sure we're not indifferent to the risks we're taking.

In banking, this option's been dubbed the "haircut," because each depositor would get a trim. Accounts might be covered at 100 percent for the first $30,000, to keep faith with the inflation-adjusted guarantee originally legislated in the New Deal. After that, coverage would operate on a sliding scale, with perhaps 50 percent of the next $50,000 covered, and 25 percent of all amounts higher. The numbers can be tinkered with, but the idea is the same: to guarantee without question the savings of the less savvy among

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us, but to make the rest of us bear some risk so we'll have an incentive to look a little more closely at the institutions we're putting our money in. If as a result, *Consumer Reports* starts rating banks for us, and the banks fight like hell to stay off the bad list, so much the better. Riskless deposits combined with the S&L's risky investments are what triggered the current debacle in the first place.

Next: Whatever amounts are settled on should apply to an individual's *total* deposits held in federally insured banks—not on a bank-by-bank basis only, as is the case today. This would eliminate the ability of brokered money—a perfectly legitimate investment approach, it should be remembered—to extend the federal safety net to those it was not meant for. It should also ease the pressure on healthier banks, whose cost of funds rises when marginal banks jack up interest rates to attract these funds.

Greater measures should be taken to assure that insolvent banks get closed fast—since delay beyond insolvency is where the losses rack up. The first step is to introduce some form of market-value accounting, so that the now commonly used methods masking dramatic fluctuations in asset values can no longer hide the truth about solvency from regulators. For assets that aren't publicly traded this will prove a bit thorny, but other proxies for current value can be roughed out; in any event, the difficulty of identifying the relevant measure perfectly is hardly an excuse for sticking with the irrelevant one. These financial statements should be prepared in annual audits performed jointly by two certified public accountants—one hired by the bank, and one by the regulators—to guard against the see-no-evil tendency CPAs too often exhibit when big bank clients hit the skids.

An increasingly strict series of market-value capital "tranches" (as a Brookings Institution Task Force called them) should be established at the same time, with *published, nondiscretionary* regulatory consequences flowing from each. What might that mean? The best capitalized banks would be subject to virtually no supervision. Banks whose capital sank to certain marginal levels would be forced to suspend dividend payments and asset growth and to present a plan for recapitalization. Banks descending further into the last capital tranche would face mandatory FDIC takeover and either merger or liquidation—*before* losses (and thus taxpayer exposure) could mount.

An annual report on what's being done to fix banks floundering in the lower tranches should be required, to make the regulators accountable and to stop Congress from hiding from the facts. Legislators should also be required to log—publicly—with both the ethics and banking committees any discussions they have with regulators on behalf of their hometown favorites, just to keep tomorrow's Keating Fives honest.

If banks finally get the power to compete in other businesses like insurance and securities underwriting, firewalls should also be established to assure that the federal safety net won't extend there. Insured deposits should be invested only in low-risk assets (like T-bills) that can be readily market-valued, so that the solvency of insured funds can be monitored daily. Riskier activities, meanwhile, can be handled by separate bank entities that raise capital and take risks on the open market, not on Uncle Sam's credit card. (Another promising reform would be to privatize deposit insurance on the Lloyd's of London model.)

If our leaders actually show some leadership, these reforms could be packaged into a massive bundle of legislation that would prevent an S&L sequel and make our banks more competitive for 1992. But don't hold your breath. Even good guy Henry Gonzalez knows the odds aren't great. "You reach a point," he says, describing the congressional indifference after coverage was hiked to $100,000 in 1980, "where they make you feel like you're a guy wearing a sandwich board saying 'the world's going to end next Thursday.'" We could really use some politicians smart enough to see that although it's not the world, it's our standard of living, and brave enough to say that if it's not next Thursday, it's some time real soon. □

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WHO'S WHO

Something has gone wrong with **Dick Cheney**'s relationship with the White House. The secretary of defense, who once ranked with **James Baker** as the cabinet member Bush respected the most, was shut out of the preparations for the recent summit meeting with **Gorbachev**. He spent the preceding week fishing in Wyoming. . . .

You may have read that Massachusetts Democrats are planning to sue White House aide **Ronald Kaufman**, charging him with having organized a picket line by the Springfield police union, which embarrassed and delayed the party's convention in early June. What the stories didn't say and what faithful "Who's Who" readers know, is that Kaufman previously had organized both the Massachusetts police demonstrations and the Boston Harbor campaign event that so embarrassed Michael Dukakis in 1988—which, if not squarely in the tradition of **Richard Nixon**'s old dirty trickster, **Donald Segretti**, were disturbingly close. . . .

Those who would pry into the financial disclosure forms of Rep. **Dan Rostenkowski** are not in for an easy time. According to **Janet Hook** of the *Congressional Quarterly*, the chairman of the House Ways and Means Committee uses a special typewriter equipped with an especially difficult-to-decipher, old English type. The typewriter is used for no other purpose. . . .

John Sununu, Bush's chief of staff, has shaken up the White House office of political affairs to gear up for the 1990 elections, which will set the stage for redistricting across the country. After **James Wray**, the former ineffective political director, left his post to join the Republican National Committee, Sununu elevated two loyalists to the office—former New Hampshire aide **David Carney** and Sununu's deputy, **Ed Rogers**. But Sununu hasn't stopped there. The chief of staff, who has assumed many of the political responsibilities of RNC chairman **Lee Atwater**, who is battling cancer, recently hired **Deborah Amend** to solicit op-ed pieces for *The Washington Post* and *The New York Times* from well-known conservative thinkers. . . .

Our prediction that **James L. Kolstad**, the new chairman of the National Transportation Safety Board, would be much more pro-airline than his chief rival for the job, **Jim Burnett**, was recently confirmed when Kolstad supported a move to delay the release of transcripts of cockpit conversation for up to a year. Burnett, who remains a member of the board, opposed the delay. . . .

There has been less intrastaff feuding at the Bush White House than is usually the case. But, according to the well-informed **Charlotte Hays**, there's a dandy little struggle going on between **Roger Porter**, assistant to the president for economic and domestic policy, and **Tom Scully**, OMB's associate director for human resources, veterans, and labor. What Charlotte didn't add is that since no one at OMB takes significant action without **Dick Darman**'s knowledge and consent, this means that Porter's real enemy is Darman. . . .

Most of the stories that have appeared recently about **Dick Thornburgh**'s troubles have failed to highlight the most delicious fact, which is that, after all Thornburgh's indignation about the **William Gray** leak, a lie detector test revealed that two of the culprits were Thornburgh's two closest aides, **Robert Ross** and **David Runkel**. They have been "reassigned." . . .

Speaking of Dick Thornburgh, if anyone can save him, White House aides are convinced his new deputy, **William Barr**, is the man. Barr is said to have the keen political instincts that Thornburgh lacks. . . .

In—*Agriculture:* Assistant Secretary of Natural Resources and the Environment—**James R. Moseley.** *Commerce:* Assistant Secretary for Export Administration—**Michael Paul Galvin.** *Justice:* Assistant Attorney General of Justice Programs—**Jimmy Gurule.** *State:* Ambassador to Bangladesh—**William B. Milam;** Ambassador to Botswana—**David Passage;** Ambassador to Chad—**Richard Wayne Bogosian;** Ambassador to the Congo—**James D. Phillips;** Ambassador to Jordan—**Roger Gran Harrison;** Ambassador to Nicaragua—**Harry W. Shlaudeman;** Ambassador to Poland—**Thomas W. Simons.** *Transportation:* Acting Assistant Secretary for Public Affairs—**Catherine Bedell.** *Veteran's Affairs:* Inspector General—**Stephen A. Trodden.** *Agencies and Commissions:* General Services Administration, Administrator—**Richard G. Austin.** Resolution Trust Corporation, President of Oversight Board—**Peter H. Monroe.**

Out—*Justice:* Assistant Attorney General of Justice Programs—**Richard B. Abell.** *State:* Ambassador to Bangladesh—**Willard A. DePree;** Ambassador to the Congo—**Leonard G. Shurtleff;** Ambassador to Jordan—**Roscoe S. Suddarth;** Ambassador to Poland—**John R. Davis Jr.;** Legal Advisor—**Abraham D. Sofaer.** *Veterans' Affairs:* Inspector General—**Renald Morani.** *Agencies and Commissions:* Federal Reserve Board, Vice Chairman—**Manuel H. Johnson.** National Endowment for the Arts, Deputy Chairman—**Alvin S. Felzenberg.** Resolution Trust Corporation, Acting President of Oversight Board—**William Taylor.** Student Loan Marketing Association, President—**Edward Fox.**

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No Ifs, Ands, or Butts

Canada showed how to beat the tobacco lobby. American antismoking groups, take note.

by Morton Mintz

On the morning of January 25, 1988, an extraordinary advertisement filled page three of Canada's most influential newspaper, *The Globe and Mail*. The ad featured two friends who weren't anxious to have their friendship advertised: Brian Mulroney, the prime minister, and William H. Neville, the newly appointed president of the Canadian Tobacco Manufacturers' Council.

The headline was big and black: HOW MANY THOUSANDS OF CANADIANS WILL DIE FROM TOBACCO INDUSTRY PRODUCTS MAY BE IN THE HANDS OF THESE TWO MEN. Below the headline were photos of Mulroney and Neville, the best-connected lobbyist in Ottawa. Neville had been in charge of setting up Mulroney's office when he became prime minister. He'd also been a major strategist for Mulroney's Conservative party and chief of staff for a former Conservative prime minister.

The ad ran only hours before a House of Commons committee, dominated by Mulroney's Conservatives, would begin to mark up a bill that would revolutionize Canada's system for warning about tobacco hazards, while setting stunning global precedents (see "It's the Law," p. 35, for the key provisions). For example, the Tobacco Products Control Act would outlaw cigarette advertising and promotion in newspapers and magazines, starting on January 1, 1989.

The industry had reason to be concerned. If Parliament—first Commons, then the Senate—were to enact the Tobacco Products Control Act and the complementary Non-smokers' Rights Act, which would impose severe new restrictions on smoking, Canada would become the world's pacesetter for antitobacco laws.

Enactment would "propel companion U.S. legislation forward," former U.S. Federal Trade Commission Chairman Michael Pertschuk testified in Canada's Parliament. Tobacco lobbyist Neville agreed. "There is no question that the health lobby is international, well coordinated and networked, and therefore, if [the legislation] passes, it is going to be encouragement for similar forces in other jurisdictions," he said. In short, if Canada can virtually ban cigarette advertising, so can we. But the Canadian experience shows that to do so, American antismoking groups must shift their interests and sharpen their tactics.

Morton Mintz is a retired Washington Post *reporter. He began covering tobacco issues in 1965.*

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The Mulroney ad had been created in 36 hours by C. Garfield Mahood, executive director of the Nonsmokers' Rights Association (NSRA), and was known as his "master stroke." The NSRA and the Canadian Cancer Society (CCS), which had become the NSRA's closest ally, published it two days after Mahood finished it. It was the perfect moment. The ad devastated Neville's influence by personalizing the tobacco lobby and making whatever success it might have politically damaging to Mulroney. It "made that lobbyist so famous [that] the government could not be seen giving in to him," says Ottawa lawyer David H. Hill, past national vice-president of the CCS. In all but destroying Neville's credibility, the ad also all but destroyed the industry's hopes. The committee approved the draft of the Tobacco Products Control Act the same day. Six months later Parliament passed both bills.

Publishers said they balked at denying access to a legal product, even though tobacco is the *only* legal product that kills when it is used exactly as intended. U.S. publishers solemnly make the same argument, although many routinely decline ads for X-rated movies, "Happy Hours," and Planned Parenthood.

You probably haven't heard the Canadian story, because the U.S. press missed it. The Mulroney-Neville ad was just one of dozens of aggressive, creative strikes in Canada against the immensely rich and powerful tobacco industry. For all their impact in Canada, their most important consequence is the strong message they send to Americans, particularly at a time when the industry is increasingly on the defensive here: voluntary health associations can become the David that fells the tobacco Goliath.

Thy RODDS and thy staff

The key to the success of the Canadian antismoking campaign was the recognition of the hopelessness of the traditional strategies, such as trying to fight the plague of tobacco-induced diseases with sweet reason, gentle persuasion, and endless fund-raising for biological research.

Instead, the Canadian antitobacco forces played adroit, tenacious hardball: using advertising and public relations to win the support of the man in the street and lobbying to make allies of the movers and shakers—government officials, legislators, publishers, and popular artists. "Generally, every single strategic move that was made by the tobacco industry was countered in similar terms by the health lobby," says *Globe and Mail* Parliament reporter Graham Fraser. "There were times it was almost unnerving, the sheer intensity of the lobbying."

Exquisite timing was decisive in another NSRA ambush. It began when Mahood asked McCarthy & McCarthy, probably Canada's most prestigious law firm, to answer two questions, assuming that cigarettes are lethal and addictive: Does Canadian tort or common law impose on tobacco companies and executives the duty to warn of hazards that are or should be known to them? And if such a duty is imposed, could they be held criminally negligent for failing to honor it?

The firm's David Doherty, former Crown counsel for the Province of Ontario, delivered the opinion in April 1987, and it was a time bomb: charges of criminal negligence could indeed be filed against the tobacco executives. Again Mahood waited for the perfect moment to detonate it in *The Globe and Mail,* this time in the news columns. The moment came nine months later—the day in January 1988 when tobacco executives were making their case against the Tobacco Products Control Act before the House of Commons committee.

Meanwhile, when the industry fathered "smokers' rights" groups, antitobacco forces fathered RODDS (Relatives of Dead and Dying Smokers). The goal was, in Mahood's words, "to attach an air of criminality to tobacco industry executives and their dishonest, callous marketing practices." News stories blossomed with headlines such as JAIL TOBACCO BOSSES, GROUP SAYS.

"Both sides were waging a war for public opinion, and the NSRA, which pioneered in this area, taught the rest of the health lobby an important lesson about using the media," CCS CEO Douglas Barr said in narrating "Lobbying for Lives," a compelling TV documentary. The lesson: "Politicians are sure to hear you when you take your case to the public."

Such vigorous lobbying helped Canada pass the largest sales tax increase in its history. The new levy

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took effect April 1, 1989. It raised the federal tax on a pack of cigarettes by 40 cents to $1.10—seven times the U.S. levy—which put the price of a pack at more than $4. A Gallup poll done for the CCS indicated that 77.5 percent of Canadians supported the increase as part of a comprehensive approach to tobacco control.

The double whammy of tough new laws and high tobacco taxes led to a startling decline in Canadian smoking rates, which already had been falling faster than in the United States or any other industrialized country. In 1989 alone, says David T. Sweanor, the NSRA's staff legal counsel, the decline in Canada among those age 15 and older was 7.9 percent, compared with about 3 percent in the United States. Sweanor put the total decline from 1983 to 1989 at 29.3 percent—a world record and enough to have saved the lives of more than 100,000 Canadians. A later study showed that in the first quarter of this year cigarette consumption fell another 10.2 percent below the same period last year.

Even larger declines in Canadian cigarette use seem predestined as additional deterrents to smoking are phased in under the Tobacco Products Control Act. For example, a new warning on the pack will say, "Smoking Is Addictive." That bold statement of fact will be a world first; the industry has defeated efforts to require addiction warnings in every other country where they've been sought, including the United States.

Breathing lessons

"The bottom line is that we outmuscled them," the CCS's David Hill said. "Do it right and everyone becomes our ally." A good example is the way Jake Epp, then Mulroney's minister of national health and welfare, became an indispensable ally of the antitobacco forces. In 1985 Mahood and Epp sat across the table from each other in Epp's office. Mahood told him that of the 25 million Canadians then alive, about 7 million were smokers; of the smokers, about 2 million would die prematurely—2 million families torn apart because of tobacco products.

Mahood went on to tell Epp, the son of a minister, that he knew him to be a decent man, and, "with death rates of this magnitude, we believe that you have an ethical responsibility to do whatever is necessary to bring an end to this carnage. If taking a stand risks losing your position in the cabinet or your seat in Parliament, we appeal to you to do so. No cabinet position or allegiance to any political party is important enough to deter you from confronting this industry."

Mahood said that Epp looked him in the eye and said only, "My record will be my response." The record he proceeded to make established him, in David Hill's words, as "our best lobbyist." It was thanks to Epp that the government of Brian Mulroney, friend of William Neville, became the sponsor of the Tobacco Products Control Act.

Blame the victimizer

Rosalee Berlin, a nursing instructor who had banned smoking in her home in 1971, formed the NSRA in Toronto in 1974. Today it has about 6,000 members. Mahood, 49, who in the 1960s redirected his career from encyclopedia sales to public issues, became her consultant and, in 1975, executive director. He and lawyer David Sweanor lead a staff of six. They operate on a financial shoestring: 1989 revenues were about $500,000.

Unlike the private health organizations which in Mahood's words "seemed more interested in fundraising and protecting monies raised for biological research," the NSRA focused from the very start on the tobacco industry as "the source of the epidemic and on its deception and diminishing credibility." "The voluntary health associations were nowhere to be seen for years, except for their blame-the-victim smoking-cessation campaigns," says Mahood. "The tobacco industry loves that because they can bring people into the market faster than the health agencies can get them to quit."

Canada has its "Weedless Wednesdays" and "Cold Turkey Days." The United States has "The Great American Smokeout." Publicizing this annual event in the winter 1989 issue of its magazine, *World Smoking & Health,* the American Cancer Society carried two full-page ads with these headlines: IF YOU SMOKE 4,000 HOURS A YEAR, STOPPING FOR 24 WON'T KILL YOU and IF YOU SMOKE 10,000 CIGARETTES A YEAR, GIVING UP 20 WON'T KILL YOU. Of course, the people who quit for one day out of 365 will not do much good for themselves or much harm to the industry.

As Mahood puts it, the NSRA began to set itself apart from the health community by deciding "to go after a ban on all advertising of tobacco before a lot of health agencies would even accept that bans lead to a drop in consumption. The first major breakthrough was in 1979, when we got the Toronto Transit Commission to reject tobacco advertising," Mahood told me. "We did it almost alone. It was a classic campaign."

National breakthroughs began in the 1980s. "We were working with a group of physicians who traveled with and looked after Canadian Ski Association teams when we learned that Export 'A', a Canadian

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cigarette brand, was going to sponsor the CSA's team in the national championships," Mahood recalls. RJR-Macdonald, makers of Export 'A' cigarettes, had offered the CSA a $1.7 million deal.

Unable to persuade the CSA to reject the deal, the doctors took the issue public, knowing they could become pariahs, at least in the eyes of CSA leaders. But, Mahood recalls, "they said that our priority in ethics is to the public. That's when we came in with full-page advocacy ads and press conferences to have Export 'A' dumped as a sponsor." The compelling, powerful headline on a November 1983 ad was a forerunner of many others to come: SHOULD THE CANADIAN SKI ASSOCIATION GET IN BED WITH THE TOBACCO INDUSTRY? 28,700 DEATHS ANNUALLY IS NOT A SPORTS STORY!

The campaign lasted a year and a half and enlisted health agencies, including the Canadian Medical Association. Despite this, the CSA in the end narrowly voted to retain the cigarette sponsorship. "However," Mahood says, "the dispute forced the issue onto the federal agenda, resulting in adoption of a policy by the health minister and the minister of Fitness and Amateur Sport: for every dollar national sports bodies get from the tobacco industry, the government decided, it will deduct an equal amount from their federal funding. This started to accelerate debate on the role of tobacco sponsorship of sports."

While the NSRA had been Mr. Hardball from the start, the CCS originally had been Mr. Goodworks. Beginning in 1985, however, former vice president David Hill, the CCS's senior volunteer, began pressing the society to become the first voluntary public health agency in Canada to hire a political lobbyist. The society did so in 1986, when Hill began a three-year term as chairman of the public issues committee.

Canadian health professionals, Hill says, "are too much trained to look at biological causes of illness, too comfortable receiving praise for medical and research achievement rather than being attacked by angry opponents on controversial issues." This was the existing medical model, and Hill says it was one that "the CCS felt it could not rely on." Nor, he said, could the CCS depend only "on its existing volunteer base of people steeped in fund-raising, service to patients, or traditional public service. We needed a new type of . . . volunteer advocates who had expertise or who could be trained to be soldiers in our lobbying war. . . . Once you have the resources, the allies, and the soldiers, then you can get down to waging war seriously, using imagination and courage."

In 1988, the CCS and the NSRA jointly set up a "war room" to work for passage of the Tobacco Products Act and the Non-smokers' Rights Act. Only three blocks from Parliament in Ottawa, the war room did much to galvanize a coalition of dozens of health agencies. For more than a year, the coalition, led by the NSRA and CCS, waged the most intense, controversial public health battle in Canadian history, tracking the position of all MPs, blitzing them with phone calls while they were home on recess, and enlisting physicians to collect petitions.

HOW MANY THOUSANDS OF CANADIANS WILL DIE FROM TOBACCO INDUSTRY PRODUCTS MAY LARGELY BE IN THE HANDS OF THESE TWO MEN

Prime Minister Brian Mulroney

Lobbyist William H. Neville

Ads like this have turned the tide against cigarettes in Canada

In Washington, the Coalition on Smoking OR Health is perhaps the equivalent of that war room. But just barely: its resources are meager. To operate on the same scale as the war room does in Canada, the coalition would need a staff of 100. Instead, it has a part-time executive director and only one full-time lobbyist. Its annual budget of about $150,000—less than one-third of the NSRA's alone—is financed in equal shares by the organizations that formed it in 1982: the American Heart Association, the American Lung Association, and the American Cancer Society (ACS). By contrast, the ACS spends about $90 million a year on cancer research.

"Why spend millions on microbiologists and not on lawyers, if the lawyers will be more effective in fighting the tobacco epidemic?" asks CCS lobbyist Kenneth Kyle. When the CCS allotted $200,000 to hire lawyers to intervene on the side of the Canadian government in defending against still-pending industry court challenges to the constitutionality of the Tobacco Products Act, the CCS knew the eventual cost could be as much as $1 million. Yet, Kyle says, CCS members strongly supported the intervention. In a

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poll, 60 percent said they would contribute money for it, and 28 percent said they would contribute more than usual to help pay the legal costs. David Hill says Canadians now view the CCS "as a leading public advocate." That's why the 1989 CCS fund-raising drive brought in more money than ever before.

Paper tigers

"When leading newspapers started to reject cigarette ads voluntarily," Mahood says, "the issue had been decided ethically in the community." But it took years of effort by the NSRA to achieve this critical breakthrough. "We knew we weren't going to get editorial support for a legislated advertising ban as long as the conflict of interest existed for newspapers taking tobacco industry revenues."

The NSRA gathered extensive evidence that tobacco ads breached the Canadian Code of Advertising Standards prohibition of ads that "depict situations which might encourage . . . unsafe, or dangerous practices." Then, as in their other campaigns, the NSRA, the CCS, and their allies held a news conference and published attention-getting full-page advocacy ads. The headline on one was: NEWSPAPERS AND THE ADVERTISING CODE: CASH OR CONSCIENCE. The text began, "Here is one story that some Canadian publishers would rather not discuss. . . ."

The campaign was difficult, prolonged, sensitive, and, like the others, complicated by the need to do almost everything in both English and French. Moreover, some publishers said they resisted not simply because they feared the loss of tobacco ads—a tiny proportion of newspapers' total ad revenues—but because they balked at denying access to a legal product, even though tobacco is the *only* legal product that kills when it is used exactly as intended. U.S. publishers solemnly make the same argument, although many routinely decline ads for a wide array of legal items, including X-rated movies, "Happy Hours," and Planned Parenthood services.

During an extensive dialogue with the huge Southam publishing chain, the NSRA put together for the coalition a detailed brief addressing issues of concern to chain executives, such as the tension between addiction and "freedom of choice," whether smoking was causing an "epidemic" of deaths, whether the vast majority of smokers were truly aware of the health risks, and whether the industry was a net drain on the economy.

By the winter of 1987-88, five major Ontario dailies—accounting for 45 percent of weekday circulation in the province, and for 20 percent of such circulation throughout Canada—had voluntarily decided to forgo tobacco ads. Eventually joining these papers were *The London Free Press,* widely read in tobacco-growing country, and Montreal's *Gazette,* Eastern Canada's largest daily. In stark contrast, cigarette ads are rejected by only 11 American papers, mostly small U.S. dailies, representing a trifling 0.6 percent of weekday circulation.

Later, trying to defeat the Tobacco Products Control bill, the tobacco companies launched multimillion-dollar, multipronged, and ethically questionable campaigns. In one, they portrayed themselves as defenders of freedom of speech and asserted that the bill would deny that freedom. The companies also alleged that ad bans in Norway and other countries had failed. But the chairman of the Norwegian Council on Smoking and Health, whom the CCS brought to Ottawa, produced the evidence that the ban had indeed worked.

In addition, the companies generated a massive campaign to enlist small shopkeepers and others who sell tobacco products to write protests to every member of Parliament. As a result, MPs were deluged, confused, and misled by ostensibly spontaneous letters costing about $25 each. The letters—some with deliberate typographical errors to create an aura of authenticity, "were written and printed by a PR firm hired by the industry," Barr says. "Not only did they make sure they got to the shopkeepers by expensive courier, but they followed up with several phone calls just to make sure that those letters got to their MPs."

On December 1, 1987, after the industry had sent out 200,000 letters, a full-page ad blossomed in 22 newspapers across Canada. The headline: WILL TOBACCO INDUSTRY DECEPTION OUTMUSCLE PARLIAMENT? A box revealed the campaign's dark secrets, saying, for example: "Each letter is made to look different. Form, text, colour of paper, are all varied by using automated equipment." Once again, the timing was just right. "We waited until the industry was well hooked and then turned on the lights," Mahood says. "We believe we . . . prevented the manufacturers from using 800,000 names remaining on their list, and almost destroyed industry credibility—that is, whatever was left."

David Hill recalls another memorable tactic. The CCS printed hundreds of thousands of black-bordered postcards "in memory of the 35,000 Canadians who die annually from smoking-related illness." At the start of many meetings, the CCS and like-minded organizations set aside 10 minutes for each volunteer in attendance to send one of the cards or a letter urging MPs and their party leaders to defy the tobacco lobby and pass the Tobacco Products Control Act. "There was a deluge of mail on Parlia-

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ment," Hill said. "The professional letter-writing campaign of the tobacco industry was no match—we buried them."

Butt heads

Until two decades ago, Canadian cigarette makers advertised and promoted as they pleased. The abuses were so many that an all-party committee in the House of Commons recommended enactment of an outright ban on tobacco advertising. But in 1971 the Canadian Tobacco Manufacturers' Council, in an informal deal with the Liberal government, adopted a toothless code of self-regulation. In exchange, the government shelved the recommendation.

By January 1986, the NSRA had documented violations of more than half of the code's no-no's. For example, although the code prohibited ads within 200 meters of schools, NSRA researchers said a "small, random" sampling had found hundreds of cigarette billboards inside the prohibited zone. In further violation of the code's guidelines, tobacco promotions used models under 25, and the ban on tobacco advertising on television was circumvented by sponsorship of sports events.

The NSRA released a report on code violations at a news conference and summed it up in a two-page ad in *Maclean's*. The ad said that more than 300,000 Canadians had died from tobacco-related disease in the 15 years since the code was adopted, and that by the end of 1986, while "the federal government sits in legislative silence," 30,000 more would die.

However, Health Minister Epp continued to oppose an ad ban, assuming that a new voluntary code

It's the Law

Enacted on June 28, 1988, the Tobacco Products Control and Non-smokers' Rights Acts were the first Canadian federal laws to regulate the tobacco industry since 1908, when Parliament made it illegal for anyone to sell cigarettes to persons under 16.

The Tobacco Products Control Act:

➤Banned all cigarette advertising and promotions in newspapers and magazines, effective January 1, 1989; on billboards after January 1, 1991, and at points of sale after January 1, 1993.

➤Severely restricted brand-name tobacco promotions such as arts and sports sponsorship (including tennis tournaments by Virginia Slims); prohibited distribution of free samples (a technique for hooking children) and contests, prizes, and rebates, and use of tobacco brand names on nontobacco items, such as t-shirts, mugs, and hats.

➤Required prominent health warnings on packs and billboards, listing toxic ingredients, and also mandated enclosing health-information leaflets in cigarette packages.

(After Minister of National Health and Welfare Jake Epp ordered that the health warnings be moved to the top of billboards and occupy at least 20 percent of the space on billboards erected after July 1, 1989, Imperial Tobacco Ltd., Rothmans, and Benson & Hedges decided to erect no new billboards; RJR-Macdonald Inc. said it would continue to advertise on billboards, but erected no new ones.)

➤Required manufacturers to provide the government with data on toxins in tobacco and tobacco smoke and on sales, advertising, and promotion. (Rather than reveal the additives in its cigarettes, RJR-Macdonald stopped using them, and Philip Morris stopped shipments of its cigarettes from the United States to Canada).

➤Weakened tobacco manufacturers defenses against smokers' lawsuits by barring companies from invoking the government warnings as a shield from liability if the companies had known of but failed to disclose particular additional health hazards relevant to the litigation. (In the United States, several federal appeals courts have ruled that the warnings on packages mandated by a 1965 law insulate cigarette companies from liability for failing to reveal additional health risks.)

➤The penalty for a single violation of the act could be a fine of up to $250,000.

The Non-smokers' Rights Act:

Banned smoking in all federal workplaces, put tobacco under the Hazardous Products Act, severely restricted smoking in buses and other forms of public transportation, prohibited smoking on all flights of up to six hours, and, on July 1, 1989, made Canada the first nation to require its airlines to prohibit smoking on all overseas flights.

Moreover, except for designated smoking rooms ventilated to the outside, the law prohibits smoking in all federally regulated workplaces, such as banks, broadcasting studios, and government agencies.

—*M.M.*

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would suffice. To change his and the government's mind, the NSRA launched what Mahood called "the hardest-hitting nongovernmental attack on the tobacco industry ever."

The campaign demanded "equal treatment" of the tobacco industry with other industries. Thus one of the ads inquired why, if tobacco is addictive, it is exempted from the food and drugs law, and why, if it's hazardous, it is exempted from the hazardous products law. The headline on the other ad was: GANGRENE AND TOBACCO. Under it was a photo of a man on crutches; one leg had been amputated. The caption read: "Gangrene is just one of the results of the government's failure to regulate the tobacco industry."

"This forced tobacco onto the legislative agenda in Canada," Mahood says. Ultimately, Epp would tell the NSRA he was grateful for the almost relentless pressure. In an unusual letter to Mahood, he praised the organization for its "leadership role . . . in mobilizing public support so that the government could more seriously address the tobacco-related chronic disease epidemic."

Six months later, in April 1987, the government gave the industry something to worry about when, supported by a big majority in the House of Commons, including members of the opposition Liberal and New Democrat parties, it introduced the Tobacco Products Control Act. The industry then mounted an advertising, PR, and lobbying counteroffensive. As Douglas Barr said, it seemed to be "steamrollering over the health minister and the health community." Burson-Marsteller, a huge international public relations firm retained by the industry, recruited members of the arts community for a protest group called Coalition 51. (Yet it took three months to sign up 56 people, and by no means were all of them artists.)

Then the press was invited to an event in a Toronto hotel at which the recruits—some flown in for the occasion—denounced the Tobacco Products Control Act as potentially dangerous because, by ending the promotion of tobacco products, it would starve culture and sports. But Coalition 51 didn't reveal that it was supported entirely by Rothmans tobacco company. The sponsors had billed the event as a news conference but abandoned the format, almost at the last moment, on learning that Mahood, Sweanor, and Barr were poised to hold a counter news conference in the same hotel.

The NSRA—in one-third of the time it took the tobacco companies—enlisted more than four times as many artists, 250 in all, many of them quite prestigious, to come out against tobacco sponsorship of their activities. In October 1987, these artists endorsed a statement of conscience to Parliament that the NSRA published, along with their names, in a full-page ad in five newspapers. "[T]he arts community cannot allow itself to be used to block or subvert a bill designed to safeguard the health and lives of future generations," the statement said. "That is too high a price to pay."

In waging such counterattacks, the coalition learned a crucial lesson: Sometimes it is necessary to go head-to-head with your opponent. "Traditionally, health groups have been reluctant to mix it up in the political arena," Barr says, "but we quickly learned that in this fight, the Marquis of Queensbury rules didn't apply and that if we didn't get in close and play hardball the same way the industry was playing, in the end we would have nothing to show for it but our dignity, and there would be no legislation."

The counterpunching succeeded: the bill was given a second reading. The next hurdle was a Commons hearing in late 1987, where a group of pro-industry MPs, led by Ron Stewart, a Conservative, intended to gut the bill, which he derided as "this craziness." "I was not about to sit in my place and see an industry destroyed by a lot of do-gooders," he said.

The last gasp

Although many Canadians didn't know it, Stewart was not merely an MP, but also a tobacco wholesaler, and what David Hill called "an advocate ally for our enemy, the tobacco industry." In November 1987, in an action unprecedented for a federal campaign in Canada, Mahood wrote a flyer accusing Stewart of a conflict between his pocketbook and the lives of his constituents, and particularly of their children. Signing on with him were Hill, Victor Lachance, executive director of the Canadian Council on Smoking and Health, and Dr. Andrew Pipe, chairman of Physicians for a Smoke-Free Canada.

Then the NSRA and the CCS sent the flyer to all of Stewart's more than 30,000 constituent households. In addition, the NSRA and the CCS held a press conference in the heart of his district accusing him of acting against the health of his constituents for personal gain. "We threatened to do the same thing against any legislator opposing our legislation," says Hill. Stewart withdrew from the committee, and the bill came out of it as tough as when it went in.

The Tobacco Products Control Act passed easily in Commons. But the government still hoped to see the Non-smokers' Rights Bill defeated because it was sponsored by an opposition MP. To become law, both pieces of legislation still had to be passed by the Senate. There, the industry, in fighting the Tobacco Products Control Act, made a major issue of freedom of speech, much as it does in the United States, where Philip Morris presents itself as the Great Protector of the First Amendment.

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The Canadian companies argued that a ban on cigarette ads would deny freedom of speech, even if the ads were to be directed at children under 13. This "may seem innocuous, but it is an inroad on the right to send, and the public's right to receive, any message, commercial or otherwise," an industry lawyer told a Senate committee hearing. "Otherwise, it would give carte blanche to the legislature. Children under 13 today, so why not 14, 15, or 16 tomorrow?"

But the health agencies, says Douglas Barr, "again applied a lesson that had been reinforced throughout the campaign—health groups succeeded by framing the issue in health terms." That's what David Hill did when he told the Senate committee: "There is little freedom in addiction . . . in a cancer ward, or in the chronic care facilities of our hospitals. What we need . . . for us and our children is more freedom from advertising pressure and sales promotion [about] these deadly products."

On June 28, 1988, the Senate passed both bills by substantial majorities. Afterward, in assessing his defeat, Bill Neville grudgingly revealed what the Canadian antismoking lobby had done. "Clearly one of the . . . successes of the antitobacco lobby was to make this appear to be a health issue, and when that happens that is a difficult area for the industry." In Barr's words, "Our organizations can . . . in the long run do more for the health of Canadians than all the hospitals put together." There's no reason why American antismoking forces can't do the same. □

The Worst City Government

Don't let anyone tell you Detroit Mayor Coleman Young isn't concerned about crime. He is. But it's not Detroit's drug-stoked murderers that keep him awake nights; it's European revolutionaries packing bombs. This spring the *Detroit News* reported that as Young proposed to layoff 500 police officers during a budget crisis, he sent the chief of his 27-member personal security force off to Paris to learn how to protect the midwestern mayor from international terrorists.

"Something is askew here," protested one *News* editorial. "The threat of terrorism is hardly more pressing than the daily terrorist attacks against law-abiding citizens on Detroit streets." But paranoia seems to be a regular problem for Young—one he treats at the expense of public safety. According to a recent report by Detroit's auditor general, $160,000 in police funds earmarked for undercover drug buys was diverted to armor-plate the mayor's two Cadillac limousines, while another $17,000 was spent to buy six Uzi automatics and other sophisticated weapons for Young's posse of security guards. (During Young's 16-year tenure, by the way, there have been no threats on his life.)

Those nagging worries about terrorist blitzes may have distracted Young's attention from other goings-on in his police force. FBI agents investigating police corruption recently charged that a former deputy chief diverted $1.3 million in secret funds to his own dummy corporations over a period of 10 years. Nobody noticed. Nor did they notice that only $1,500 of a $1 million fund earmarked for public drug prevention and education was ever used for the intended purpose—until the county prosecutor took the city to court.

Throughout Marion Barry's tenure as Washington's mayor, "Riverfest"—a rowdy weekend celebration held on the banks of the Potomac—has been a favorite rite of spring, attracting hundreds of thousands of D.C. citizens to dance at the river's edge. But when Barry cried poor and canceled the city's largest celebration earlier this spring, few complained; after all, a city budget crisis had already scuttled meals for the homeless, housing programs, and other human services projects for D.C. poor. It didn't feel like a great time for a party.

So imagine local amazement in May, when it was revealed that only *part* of Riverfest had been canceled—the part that regular D.C. folks could attend. Using a special fund—or a secret one, as some city councilmen have charged—Barry went forward with a $17,000 moonlight cruise for 200 city employees aboard the copper-ceilinged stern-wheeler *The Cherry Blossom*. (Coincidentally, city employees happen to be candidate Barry's primary political bloc in the upcoming mayoral elections.) Although Mayor Barry insisted the shadowy Riverfest fund—which contained a total of $109,000—was "in the budget books," council members protested that it wasn't. The city auditor chimed in that Barry had repeatedly denied the existence of any special funds.

Despite widespread public pressure, Barry refused to put the private party into drydock. "You know, all work and no play makes Washington a dull city," he explained to reporters before taking off with 200 of his nearest and dearest. And as *The Cherry Blossom* sailed off into the evening, you could hear Mayor Barry lead his guests in a spirited cheer of "Washington's great!"

—*Katherine Boo*

The *Monthly* depends on its readers to keep track of the breakdown of big-city government. Please send your nominations to:

Worst City Government
The Washington Monthly
1611 Connecticut Ave. NW
Washington, DC 20009

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Clean Up or Pay Up

Here's the solution to the college sports mess

by Louis Barbash

Tom Scates is one of the lucky ones. He has a bachelor's degree from Georgetown University, where he played basketball under the fabled John Thompson, one of the best college basketball coaches in the country, and one of the few who insist that their players go to class. Ninety percent of Thompson's players at Georgetown receive degrees, about three times the national average.

More than a decade after Tom Scates received his diploma, he has managed to parlay his Georgetown degree and education, his athletic skills, and the character he developed during his career in intercollegiate athletics, into a job as a doorman at a downtown Washington hotel.

Still, Scates *is* one of the lucky ones. He played for a good team at a good school, under a moral coach, and under a president, Father Timothy Healy, who believed that Georgetown was a school with a basketball team, not a basketball team with a school. He was not implicated in drug deals, shoplifting, violence, grade altering, point shaving, or under-the-table money scandals. He didn't have his scholarship yanked. He didn't emerge from school functionally illiterate. He got a job.

Many of the men Scates played against when he was at Georgetown, and their basketball and football counterparts at major colleges and universities, have not been so fortunate. Less than half the football and basketball scholarship athletes will graduate from college. And what education athletes do get is often so poor that it may be irrelevant whether they graduate or not.

In addition to corrupting the university's basic academic mission, big-time sports have been a lightning rod for financial corruption. College athletes are cash-poor celebrities. Although their performance on the field or court produces millions in revenue for the university, they receive in return only their scholarships—tuition, room, and board—and no spending money. They are forbidden from working part-time during the season. Athletes have been caught trying to make money by getting loans from coaches and advisers, selling the shoes and other gear they get as team members, taking allowances from agents, and getting paid for no-show summer jobs provided by jock-sniffing alumni—all violations of National Collegiate Athletic Association (NCAA) rules.

Things might be different if the NCAA would show some real inclination to clean up the college sports mess. But that organization has a well-developed instinct for the capillaries: instead of attacking the large-scale academic, financial, and criminal cor-

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ruption in college sports, too often the investigators from Mission, Kansas, put their energies into busting athletes for selling their complimentary tickets and coaches for starting their practices a few weeks ahead of schedule. Meanwhile, the real problems of college athletics continue to fester.

Will the NCAA change? And if so, would that matter? Earlier this year, NCAA Executive Director Dick Schultz proposed new rules to stem college sports corruption. Schultz's reforms included "quality academic advising and career-counseling programs," restriction of recruiting, long-term contracts for coaches, reduced pressure and time demands on athletes, and the elimination of athletic dormitories to "make the athlete as indistinguishable from the rest of the student body as is humanly possible."

It's illegal to bet on sports except in Nevada, so bet on this instead: Schultz's proposals will not pass an NCAA dominated by college sports officials whose careers rest on winning games. Recall what has happened to much weaker suggestions. Even Georgetown's Coach Thompson boycotted his own team's games to protest as too severe the timid requirements of the NCAA's Proposition 48, which would have barred entering freshmen from athletic scholarships and competition if they did not have a 2.0 high school GPA and SAT scores totaling 700 points. Interested in even better odds? Take this to the bank: Even if Schultz gets every one of his proposals put in exactly as he outlined them, they—like everything else the NCAA has tried—will not work.

Well then, is there any way out of this mess? Yes. Actually, there are *two* ways out. Because the NCAA has so utterly failed, because in the present system the big-money pressures to cheat are so enormous, and because, like it or not, sports have such a widespread impact on the country's moral climate, there should be a federal law that requires schools *either* to return to the Ivy League ideal in which players are legitimate members of the student body, judged by the same standards as everybody else, *or* to let players on their teams be non-student professionals. All the trouble comes from trying to mix these two alternatives—from trying to achieve big revenues while retaining the veneer of purity.

The pure alternative doesn't have to ignore athletic ability among prospective students—there were plenty of good football teams before today's double-standard disaster got firmly entrenched. You want to consider the athletic ability of college applicants for the same reason you want to consider musical or theatrical ability; a university should be a wonderfully diverse collection of talents that together stimulate people to develop in all sorts of positive ways. Athletic skill is one such talent—one that even academic purists ought to look at. But the key is that universities must consider athletic ability as only *part* of what they take into account when they accept a student. The fundamental mistake of today's college sports system is that it supposes a student could be at a university *solely* because of his athletic skill.

While the purely amateur option is probably the more desirable of the two, the professional one isn't nearly as horrible as it might seem at first. After all, coaches were originally volunteers, and now they're paid. (Army's first head coach, Dennis Michie, received no pay. Jess Hawley coached for free at Dartmouth from 1923-28. His 1925 team went undefeated and was the national champion.) So why not players?

Sweat equity

How much would a salaried college athlete make? If the example of minor league baseball is anything to go on—and such authorities as Roger Meiners, a Clemson University economist who specializes in the economics of college sports, and Ed Garvey, the former head of the NFL Players Association, think that it is—college salaries would be enough for a young athlete to live on, but not so much as to bust college budgets. Minor league baseball players start at around $11,000 for their first full professional season and range upward to the neighborhood of $26,000 for players on AAA teams under major league option. So it seems fair to estimate a salary of about $15,000 for an average player on an average team.

The professional option's chief virtue is honesty. The current student-athlete system requires both students and universities to pretend that the young athletes are not full-time professionals, but rather full-time students who play sports in their spare time. But does anyone suppose that high school athletes reading four and five years below grade level would be considered for college admission, much less recruited and given full scholarships, if they were not football or basketball stars? Can the abuses of NCAA rules that have been uncovered at almost half of its biggest schools have any other meaning than that giving these athletes a real education is not what universities are trying to do?

The hypocrisy begins with the fundamental relationship between the players and the university: 18-to 20-year-olds, many of them poorly educated, inner-city blacks, coerced and deceived into playing four years of football or basketball without pay so that the university can sell tickets and television rights.

The coercion comes from the colleges' control of access to professional football or basketball: It is virtually impossible to go to the pros without playing college ball first. Colleges open that opportunity only to

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athletes who will agree to perform for the college for four years without getting a salary or even holding an outside part-time job. The athlete does receive a four-year scholarship and room and board while he is enrolled, a package the NCAA values at about $40,000. The deception lies in the fact that the inducements held out to athletes by colleges—the chance to play pro ball and getting a college education—are essentially worthless, and the schools know it.

The athlete's first priority is to play pro ball. Forty-four percent of all black scholarship athletes, and 22 percent of white athletes, entertain hopes of playing in the pros. That's why they will play four years for nothing. But in fact, the lure of sports that keeps kids in school is a false hope and a cruel hoax. "The dream in the head of so many youngsters that they will achieve fame and riches in professional sports is touching, but it is also overwhelmingly unrealistic," says Robert Atwell, president of the American Council on Education. The would-be pro faces odds as high as 400-1: of the 20,000 "students" who play college basketball, for example, only 50 will make it to the NBA. The other 19,950 won't. Many of them will wind up like Tom Scates, in minimum wage jobs, or like Reggie Ford, who lost his football scholarship to Northwest Oklahoma State after he injured his knee, and now collects unemployment compensation in South Carolina.

"There would be those who would argue," said Oklahoma State University President John Campbell, "that Dexter Manley got exactly what he wanted out of OSU. He was able to develop his athletic skills and ability, he was noticed by the pros, he got a pro contract. So maybe we did him a favor by letting him go through the program."

The scholarships and promises of education are also worthless currency. Of every 10 young men who accept scholarships to play football at major schools, according to NCAA statistics, just 4 will graduate. Only 3 of every 10 basketball players receive degrees.

Not only are these athletes being cheated out of a promised education, but they and their universities are forced to erect elaborate, meretricious curricula to satisfy the student-athlete requirement, so of those who *do* get degrees, many receive diplomas that are barely worth the parchment they're printed on. Running back Ronnie Harmon majored in computer science at the University of Iowa, but took only one computer course in his three years of college. Another Iowa football player also majored in computer science, but in his senior year took only courses in billiards, bowling, and football; he followed up by getting a D in a summer school watercolor class. Transcripts of the members of the basketball team at Ohio University list credit for something called "International Studies 69B"—a course composed of a 14-day/10-game trip to Europe.

As things stand now, athletically gifted students who genuinely want an education are often steered away by eligibility-conscious advisers. Jan Kemp, the University of Georgia academic adviser for athletes who won a lawsuit after the university fired her for insisting on the athletes' right to be educated, recalls how a Georgia athlete was always placed in "dummy" classes despite his efforts to take "real" ones. "There's nothing wrong with his mind," says Kemp. "But the situation is magnified for athletes because there is so much money involved. There is too much control over who gets in and who takes what courses."

No case illustrates the cynicism that poisons big-time college sports better than that of former Washington Redskins star defensive end Dexter Manley. Manley spent four years as a "student-athlete" at Oklahoma State University only to emerge, as he admitted years later, functionally illiterate. But OSU President John Campbell was not embarrassed: "There would be those who would argue that Dexter Manley got exactly what he wanted out of OSU. He was able to develop his athletic skills and ability, he was noticed by the pros, he got a pro contract. So maybe we did him a favor by letting him go through the program."

One scarcely knows where to start in on a statement like that. It's appalling that an accredited state university would admit a functional illiterate, even recruit him, and leave him illiterate after four years as a student. It's shocking that it would do all this in order to make money from his unpaid performance as an athlete. And it is little short of grotesque that an educator, entrusted with the education of 20,000 young men and women, would argue that the cynical arrangement between an institution of higher learning

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and an uneducated high school boy was, after all, a fair bargain.

The infection of hypocrisy spreads from the president's office to the athletic department and coaching staff. This may be the saddest betrayal in the system. These are 17-year-olds, dreaming of a lucrative career in sports. They have placed their faith in the coaches who have visited their homes, solicited their trust, and gotten to know their parents. But those coaches, as Robert Atwell points out, "may have a vested interest in perpetuating the myth rather than pointing out its inherent fallacy." That vested interest, of course, is that if they do not produce winning teams, at whatever cost, they will lose their jobs.

So instead, to recruit highly sought-after high-school athletes, coaches promise playing time, education, and exposure to national TV audiences and professional scouts. But once the player arrives on campus, coaches are under strong pressure to treat him like what he is: an employee, whose needs must be subordinated to the needs of the enterprise, i.e., winning.

Sports without strings

Gary Ruble, a former scholarship football player at the University of North Carolina, told a House subcommittee investigating college athletics that North Carolina "came to me and offered me, basically, the world. They came to me and said come to our school. Be a student athlete. We will guarantee that you graduate. We will promise you to be a star, et cetera, et cetera, et cetera." But once in Chapel Hill, Ruble found himself riding the bench. "You go in as an offensive lineman, which I was, at 240 pounds, and you go into a system where you have offensive linemen who are 285 and they are telling you that you are going to play. That's an impossibility," Ruble told the subcommittee. After three years, "my position coach called me to his office and stated that I should consider either transferring to another school or dropping out gracefully. I was no longer to be considered in their plans for our team," Ruble says. When he reported back to school anyway, he was told "I had no option of whether to stay or go. They were not allowing me to retain my scholarship."

A system of sports without strings—releasing college athletes and their universities from the pretense that they are students, and instead paying them for their services—would cure the student-athlete system's chief vices: its duplicity and its exploitiveness.

Athletes who want to get started on careers in sports, including those whose only way out of the ghetto may be the slam dunk and the 4.4-40, would find paying jobs in their chosen field. Overnight, thousands of new jobs as professional football and basketball players would be created. Players with the ability to get to the NFL and NBA would get paid during their years of apprenticeship. For those of lesser abilities, playing for college teams would be a career in itself, a career they could start right out of high school and continue as long as skills and bodies allowed. And as they matured and their playing careers drew to a close, the prospect of a real college education might seem more inviting than it did at 17.

Releasing athletes from having to be students would, ironically, make it easier for those who want an education to get it. Even with the best intentions, today's college athletes have little hope of being serious students. Basketball practice, for instance, begins October 15, and the season does not end for the most successful teams until after the NCAA championships in early April; in other words the season starts one month after school begins and ends one month before school is out. During the season, athletes spend six or more hours a day, 30 to 40 hours a week, on practice, viewing game-films, at chalk talks, weight lifting, conditioning, and attending team meetings. The best-prepared students would have difficulty attending to their studies while working 34 hours a week—and these are not the best-prepared students.

But under no-strings sports, athletes who want educations will fare better than they do now, because the pace of their education need not be governed by their eligibility for athletic competition. A football player could play the fall semester and study in the spring. Basketball players, whose season spans the two semesters, might enroll at schools with quarter or trimester systems, or study summers and after their sports careers are over. Instead of being corralled into courses rigged to provide high grades like "Theory of Volleyball," "Recreation and Leisure," "Jogging," and "Leisure Alternatives," athletes would be in a position to take only the courses they want and need. This would be even more likely if, as part of the pro option, universities were still required to offer full scholarships to athletes, to be redeemed whenever the athletes wanted to use them.

Under these changes, those athletes who end up going to college would be doing so because they were pursuing their own educational goals. This reform would replace today's phony jock curriculum with the kind of mature academic choices that made the G.I. Bill such a success.

Such considerations make it clear that it's time for schools to choose between real amateurism and real professionalism. They can't have a little of both. From now on, in college sports, it's got to be either poetry or pros. □

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MEMO OF THE MONTH

MCA INTEROFFICE MEMORANDUM

Form 2022 (Rev. 10/84)

DATE	February 7, 1990
TO	Occupants of Building 500
FROM	D.E. Slusser DM
SUBJECT	Teenage Mutant Ninja Turtles Publicity Stunt
COPIES	Sid Sheinberg, Lew Wasserman

On February 8, Thursday morning at 9:30 a.m., Universal Studios Hollywood (the Tour) and Wolfgang Puck will participate in a publicity activity on the north side of the Tower.

Two stuntmen in Teenage Mutant Ninja Turtles costumes will climb the Tower and meet with Wolfgang Puck on the roof where they will be served pizza.

Accordingly, you should not be concerned when you see this activity taking place on February 8.

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Out To Launch

Sending men to Mars may sound like fun, but it doesn't make much sense

by Gregg Easterbrook

George Bush wants the United States to go to Mars: he's recently given several speeches on the subject. Dan Quayle, whose position as director of the National Space Council is one of his few real responsibilities, is very big on the Mars thing. Even Richard Darman, in a recent speech during which he ridiculed everybody else in Washington for refusing to get tough on federal spending, nevertheless endorsed a blank check for a Mars expedition, declaring it would be "romantic." Depending on who you're locked in the capsule with, perhaps.

Why this sudden red planet chic? Travel to Mars makes an incredibly zoomy topic for nonbinding speeches, so it's attractive to administration officials looking to sound high-tech, or desiring an oratorical diversion from intractable terranean problems. Any suggestion of a major new space push delights the big aerospace contractors, who constitute a prime Republican constituency. A Mars flight also engages the enthusiasm of a small but significant segment of the voting public. If only it weren't such a silly notion.

Expeditions to Mars are going to occur someday; I am reasonably optimistic that one will occur during my lifetime. But then, according to mortality tables, I should live till the year 2029. In the decade or two to come, sending people to Mars will be romantic but ridiculously impractical.

In his new book* John Noble Wilford, an accomplished science writer for *The New York Times,* does an excellent job of spelling out the alluring aspects of a potential red-planet mission: the scientific enticements of the objective, the likely drama of the transit, Mars's place as a beacon for human aspirations. As a sales pitch, it's a fine book. Intellectually, however, *Mars Beckons* is shallow and slothful. Wilford basically skips one of the central questions of Mars exploration proposals—why people should go when robot spacecraft could accomplish all immediate scientific objectives for a fraction of the expense or risk. And on the key reality-check issue, money, *Mars Beckons* is silent. This 194-page volume has but a single paragraph on the question of cost.

Consider that the basic price tag for the space station has grown from $8 billion to $32 billion in the past five years, even though the size of the facility has shrunk. What does this suggest about what the true cost of Mars exploration might be?

Thirty-two billion dollars for the space station will buy a few modules strung together just 250 miles from their launch pad: with no main engines, no

Gregg Easterbrook is a contributing editor for Newsweek, The Atlantic, *and* The Washington Monthly.

**Mars Beckons: The Mysteries, the Challenges and the Expectations of Our Next Great Adventure in Space.* John Noble Wilford. *Knopf, $24.95.*

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landing or ascent craft, and no crossing of new technological frontiers such as closed-cycle life support, since supply ships will arrive regularly. A Mars mission would require ships equal to dozens of space-station modules: self-propelled and self-sustaining, able to travel not 250 miles but 48 million miles and back over a period of two to three years.

Mars-bound ships will require much more radiation shielding than do spacecraft in Earth orbit, and probably simulated gravity, as so far there are no known palliatives for the muscle loss, bone resorption and extreme productivity drop-off Soviet cosmonauts have experienced in stays of about a year aboard the Russian *Mir* orbital laboratory. The expedition would require such complexities as a fully equipped surgical theater (if, say, an eight-person crew is gone for three years, statistically, someone's going to require an operation). A highly advanced degree of safety redundancy would be advisable—probably, as with Columbus's three-ship convoy, a complete extra vessel—because, unlike the space station, the Mars convoy would be far beyond the reach of emergency assistance. Landers much larger and more powerful than those of the Apollo mission would be required for the ride to the Martian surface. In short, a Mars fleet would make the $32 billion space station—which no one in the Bush administration knows how to fund—seem like a Mattel toy.

(Note to fans of dubious space station justifications: Not only does the design now include an unmanned "free flying" platform next to the station, where scientific experiments can be isolated from the disruptive effects of astronauts shaking the structure with their movements, but NASA is furiously trying to engineer robots that would handle much of the "spacewalk" assembly and repair work. So just what is the space station crew going to do? Monitor telemetry from the platform and the robots, which could, with current technology, be done as easily from Dan Quayle's living room.)

Fuel-launching costs alone guarantee that a Mars mission will be exceedingly expensive. Since it's not going anywhere, the space station will require only incidental supplies of rocket fuel. A 1988 report by the former astronaut Sally Ride estimates that an austere mission to Mars—employing one cargo ship and one crew ship (no survival redundancy)—would require 2.2 million pounds of propellants at departure from low-Earth orbit. Ride didn't assess what that means, and neither does Wilford. The current space shuttle true payload cost to low-Earth orbit is in the neighborhood of $7,000 per pound. At that price it would cost about $15 billion—more than NASA's current annual budget—just to launch the fuel for a single, stripped-down Mars mission.

From a technical standpoint, the principal barriers to Mars travel are the same today as they were when the Apollo moon program ended nearly 20 years ago. Two major technical breakthroughs are required.

Bureaucrats in space

One breakthrough would be a dramatic reduction in the cost of putting pounds into low-Earth orbit, where a Mars-bound craft would be assembled. As long as NASA clings to its insistence that the excessively expensive and dangerous shuttle is the answer to all space-launching questions, grand ambitions like Mars landings or Moon colonies will remain fiscal pipe dreams. As is, shuttle prices are so high that NASA is having trouble getting planetary probes and communication satellites in orbit, objects with a tiny fraction of the weight necessary for serious manned space flight.

There are alternatives to high shuttle prices, but NASA for institutional reasons resists them. The current-technology alternative would be a system of relatively low technology, expendable, "big dumb boosters" for launching cargo, combined with a "spaceplane" similar to a small shuttle, air-launched from a carrier aircraft like a 747, for moving people to orbit.

Many scientists have suggested the U.S. switch from the shuttle to such vehicles, and NASA has always growled. With hardware like this the vast majority of launches would be unmanned, whereas with the shuttle a crew goes along for every routine relay satellite launch, engaging huge cost and risk but ensuring a continued flow of appropriations to NASA's existing hierarchy of contractors and manned-flight centers.

The second breakthrough requirement for a practical Mars mission is a propulsion source other than standard chemical rockets, so that either the fuel volume required at departure from orbit is dramatically cut back or the Mars transit time is reduced, alleviating the need to carry huge caches of supplies and diminishing the psychological and physical strains that will attend spending years in zero gravity and very close confinement.

The leading current-technology candidate for a new propulsion source is the nuclear rocket engine, which was researched but never flight-tested for the Apollo program. Nuclear engines require far less fuel mass than chemical rockets, and can fire for much longer periods, which means more speed. Operating beyond low-Earth orbit where the natural background radiation from solar and cosmic rays is already at a fatal level, nuclear-powered Mars craft would pose no threat to the environment. Nuclear engines might

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be the answer for practical interplanetary craft, but not even National Space Council buffs seem willing to try to explain this to the public, for fear of the "n" word. Since the reactor core of a nuclear rocket would produce current rather than thrust, references are usually disguised with the euphemism "electric propulsion."

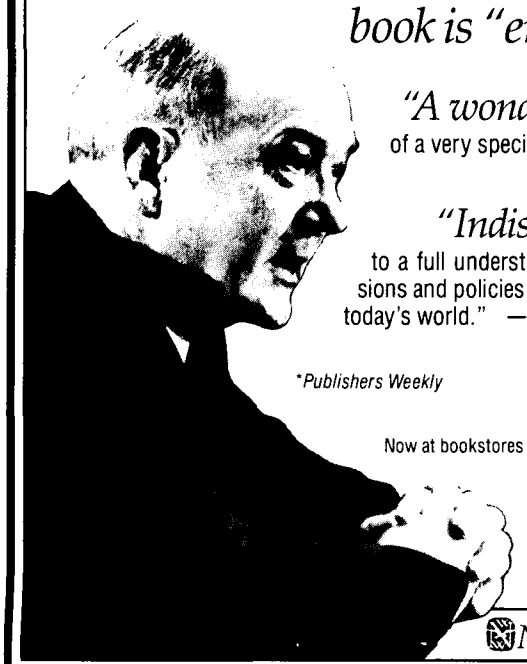
(Another note: though nuclear-propelled spacecraft could attain higher speeds than possible with conventional chemical rocket engines, they would take days or weeks to accelerate, making such propulsion of limited interest to military engineers. Knowing that nuclear rocket power would have mainly civilian applications, the Air Force is already doing general research into propulsion from antimatter, especially antiprotons. Probably the words "antimatter drive" will sound incredibly neat-o to the very people who would go bananas at the thought of nuclear propulsion. Antimatter drives could, however, have military applications, as Air Force interest attests.

Preliminary speculation is that mid-21st century antimatter technology may enable the construction of machines moving at about 1 percent the speed of light—nowhere near fast enough for exploration of the closest star but plenty fast for military operations among this solar system's planets or dogfights in orbit.)

Oh yes, NASA also protests that fundamental space program changes, like a switch to big dumb boosters for cargo and small spaceplanes for people, would require a multibillion dollar R&D investment. This is unquestionably true. But once that investment was made, such systems would enable annual space operating costs to decline. Somehow NASA considers development of cost-cutting launch systems a wildly unreasonable use of taxpayer money, yet it is perfectly happy to talk about a Mars landing—whose full price some NASA internal documents now put at $500 billion.

Prices like that (about three years' worth of the current federal deficit) reflect the daunting nature of any serious Mars expedition and show cultural change in the way NASA and its suppliers do business. During the Moon push, NASA was a progressive, can-do agency, more interested in results than in "process" and bureaucratic preservation. NASA contractors reflected this progressive attitude: unbilled overtime rather than cost-plus foot-dragging was the rule. NASA and its suppliers during the Moon days

Dean Rusk's
book is "engrossing, enlightening"*



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*Publishers Weekly

Now at bookstores

As I Saw It
As told to Richard Rusk

Norton W.W. Norton & Company, Inc., 500 Fifth Ave., N.Y., N.Y. 10110

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stood for the kind of government program people could believe in.

Today, the mind-set of the defense-industrial complex has taken over. NASA managers care less about how many months or millions anything takes than about preserving budgets and staff levels. Aerospace contractors in turn mirror their client's attitude, devoting more creative energy to lobbying and turf protection than technical innovation. The contractors feel that as long as the space program remains locked in wheelspin they might as well run up the bill, and from their standpoint there is a certain sad logic to this analysis. In the past two years NASA's budget has risen 36.6 percent, but practically all the money has gone to cost increases in existing programs, not new projects.

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Since cost, practicality, and NASA bureaucratic coagulation—not the niftiness of space travel, which everybody's already convinced of—are the subjects on which light must be shed before Mars flight can become any more than a rhetorical goal, Wilford might have turned his considerable skills as a reporter toward these. Instead, *Mars Beckons* harps on noncontroversial gee-whiz. This is a vestige of the old journalistic tradition in which science reporters view themselves as popularizers and cheerleaders for more funding, discreetly averting their eyes from science politics and related issues their sources would rather everyone be too dazzled to address.

Traditionally, science reporters have been little more adventurous than fashion writers: faithfully advancing whatever line the big people in the field are selling that year, never oh never raising the dreaded question of whether something is worth the cost. Or perhaps the better analogy is to education writers, who sometimes view themselves as spokesmen for the fraternity on which they report. My colleague Timothy Noah once found himself at an education conference where journalists on various panels consistently referred to the education establishment as "we." Traditional science writing has much the same tenor.

Wilford evinces what comes off as unquestioning old-style boosterism in a silly chapter titled "The Russians Are Going," which counsels that if we don't rush to the fourth planet the other guys will. This chapter isn't an argument for a joint U.S.-U.S.S.R. Mars effort, which could be a great idea. (A less-than-5 percent annual subtraction from each country's defense budget could finance a joint effort, advancing high-tech aerospace research without the emphasis on death technology. A joint mission's principal rewards would be not scientific knowledge, attainable much more cheaply with automated probes, but international goodwill and common cause.) It's 1950s illogic updated.

At no point does Wilford pause to explain how the Soviets, with an economic output less than half ours, could afford something we can't. Nor does he deal with little complications such as that Russian cosmonauts never left low-Earth orbit or that the U.S.S.R.'s most sophisticated space system, the shuttle *Buran,* has been launched a grand total of once, while low-tech Soviet expendable rockets fly about 90 times a year, because the Soviets can't afford to operate a shuttle. Wilford naively accepts at face value all claims that the Soviets will soon have men on Mars, despite the fact that the last two Russian robot probes fired in that direction failed. (He does argue later for a joint mission, but only after this scare-tactic segment.)

Traditional science writers are handicapped by the belief that editors want just two kinds of stories from the tech desk, ones about amazing, astonishing marvels or stunning, shocking outrages. This belief is understandable, as most big-media editors reward writers who produce copy fitting either of the two descriptions. Stories about the interplay among science, business, and politics, which seems to me one of the richest subject areas for the 1990s, traditionally have been discouraged.

Oddly enough, Wilford's own paper has been in the forefront of the effort to break down the old distinctions. Science articles that make page one of *The New York Times,* where mentioning politics is expected, often are superior to those in the *Times*'s science section. In most regards, the *Times* now covers science better than any newspaper in the country; post-*Challenger*, *Times* editors have been pressing writers to tell the real story, not the boosterism line. If only Wilford had written with his own paper's new standards, *Mars Beckons* might have been more than a passable book. □

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TIDBITS & OUTRAGES

REACH OUT AND TOUCH SOMEONE
A police officer in Bossier City, Louisiana brought a 120 mph chase to an end by hitting a fleeing motorcyclist with the phone book he had in his squad car. "That's directory assistance," the cop said later.

AND THAT LEADS TO MY NEXT QUESTION: WHEN WAS YOUR LAST RABIES SHOT?
In Alton, Illinois, a census counter was bitten on the shoulder by a woman who apparently mistook her for a fund-raiser.

REMEMBER HOW CUTE WILLIAM THE CONQUEROR LOOKED IN HIS?
In a recent catalog, Brooks Brothers claims to have "invented the button-down Polo collar shirt in the first decade of this millennium."

ALL THE NEWS THAT FITS, WE PRINT
The *Anchorage Times* illustrated its series on the progress of the *Exxon Valdez* cleanup with before and after pictures provided by—but not attributed to—Exxon. The *Times* was acquired last year by Veco International, a company hired by Exxon to work on the spill.

AIM HIGH
In an interview with *The Washington Post,* Mayor Marion Barry defended his record in office by saying, "They can't say we shot anybody, we robbed anybody, that we had a scheme to steal a million dollars from the D.C. government."

DAN QUAYLE GAVE OUT THE DIPLOMAS (HONEST!)
At last month's commissioning ceremonies at the Navy's service academy in Annapolis, each of the 990 new officers received diplomas stating that they had graduated from the "United States Navel Academy."

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ADVICE AND DISSENT

What LBJ could have learned from Ike

by Bob Schieffer

There is no real training program for becoming president, if we are to believe the men who have held the office, but this book should help a little.

By comparing the ways that Lyndon Johnson and Dwight D. Eisenhower organized and used their advisers to make key decisions on Vietnam, Burke and Greenstein have written* what amounts to an owner's manual for operating the National Security Council, the president's main in-house advisory group for defense and foreign policy.

This is a book Reagan's people could have used and George Bush ought to read: Bush because it points out the traps that a president can fall into when a mania for secrecy causes him to decide policy on the scattershot advice of only a few trusted advisers; the Reagan people because they would have learned that almost every idea they had about channeling foreign policy and defense advice to the president was wrong. (Having the national security adviser report to Ed Meese and putting advisers' recommendations in Meese's famous "bottomless briefcase" for safekeeping were not good ideas.)

Bob Schieffer is chief Washington correspondent for CBS News and co-author of The Acting President, *a book about the Reagan years.*

**How Presidents Test Reality.* John P. Burke, Fred I. Greenstein, with Larry Berman and Richard Immerman. *Russell Sage Foundation, $29.95.*

In their very readable study, Burke and Greenstein set out to determine why Johnson and Eisenhower came to such different conclusions about what to do when American-backed forces in Vietnam appeared on the verge of collapse.

For Eisenhower in 1954 and Johnson in 1965, the challenge was the same: U.S.-backed forces were in imminent peril. There were high-level discussions about how to react. Ike, the old soldier, decided not to risk the use of American troops, even ruling out a surgical air strike. On the other hand, Johnson, the master politician, reversed what he had said in the 1964 campaign and dispatched American troops in force. Why? Because Ike based his decision on good advice and Johnson didn't, is the authors' short answer. What concerns them is not whether either president made the "right" decision but the quality of the advice upon which the decisions were based.

Greenstein was among the first revisionist historians to conclude that Eisenhower's contemporaries were wrong in regarding him as a passive president who delegated most of the work to others while he spent afternoons and weekends on the golf course. In their short study, the authors show what a master organizer Eisenhower really was. A military planner for most of his career, Eisenhower had a professional's appreciation of staff and how to use it. As Greenstein and Burke reveal, this was his real talent.

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As we now know, much of Eisenhower's success as an executive came from letting others share credit for the things that worked. Years after the Normandy invasion, when he was once criticized for not being up front with the troops, he remarked dryly, "I planned it and took responsibility for it. Did you want me to unload a truck?" That was the management style that he brought to the White House, and nowhere was it more evident than in the way he organized his national security advisers.

Bull fighting

The National Security Council had been set up as a little-noticed part of the National Security Reorganization Act in 1947, when the Defense Department was created. Eisenhower saw no need to immerse himself in the details of running it. He invented the post of national security adviser to supervise the NSC and put Boston banker Robert Cutler in the job. Cutler turned out to be *sui generis:* the first man to have the job and the last of his breed—a true honest broker who collected the policy recommendations of others, kept Eisenhower informed, and kept his own views to himself unless asked, and only then if asked by Eisenhower himself. Cutler, said a friend, "was untouchable, unreachable, and unquotable." Yet, as one reads Greenstein and Burke's account, one is struck by just how well-served Eisenhower was by the system he had devised, and how good he was at getting the best out of those around him. At times, he would pit them one against the other, and sometimes even against himself, in spirited argument. In other instances, he bounced their opinions off a group of informal advisers whom he also consulted. His genius seems to have been his ability to understand what the advisers really thought, even when he disagreed with them.

Greenstein and Burke quote a 1967 interview in which Eisenhower said, "I know of only one way in which you can be sure you have made a wise decision. That is to get all of the people who have partial and definable responsibility in this particular field, whatever it might be. Get them with their different view points in front of you, and listen to them debate. I do not believe in bringing them in one at a time and therefore being more impressed by the most recent one you hear. You must get courageous men, men of strong views, and let them debate and argue with each other. You listen, and you see if there's anything been brought up, an idea that changes your own view or enriches your view or adds to it. . . . Sometimes the case is so simple that you can make a decision right then. Or you may go back and wait two or three days, if time isn't of the essence. But you make it."

Presidents are always saying things like that, but Eisenhower actually did it that way.

The authors are not nearly so kind to Johnson. By the time he had come to the White House, his predecessor, John Kennedy, had dismantled or reorganized most of the advisory panels that Eisenhower had designed. The National Security Council was no longer being used as a central deliberative forum. Like Kennedy, the authors write, Johnson relied on informal advising. The post of honest policy broker that Cutler had handled so effectively for Eisenhower went unfilled in the Johnson White House. McGeorge Bundy, the national security adviser Johnson inherited from Kennedy, was nothing if not an advocate for his own ideas. As Greenstein and Burke write, "Even the views of Rusk and McNamara sometimes reached Johnson accompanied by Bundy's gloss. It was Bundy who informed Johnson that he and McNamara leaned toward intervention, warning of the danger of being forced out of Vietnam in 'humiliating circumstances.' Rusk's view reached Johnson via Bundy and accompanied by Bundy's assertion that Rusk's unwillingness to support escalation was 'not good enough.'"

Dove barring

Bundy also tailored his arguments to the men he served. His memoranda to the volatile Johnson had a more emotional tone than the papers he forwarded to Kennedy. For the most part, Bundy's memos to Johnson suggest that Johnson's advisers thought they had a better chance of winning over the president by playing to his vanity than by arguing their cases on the merits.

In reporting the dovish views of Senator Joseph Clark, the authors note, Bundy described Clark as "a man who has plenty of convictions but not quite enough courage to give them full expression." In another memo, Bundy told Johnson there was talk in the press corps to the effect, "that you are lonely in Hawkville with no beautiful doves like Roger Hillsman to keep you straight."

Greenstein and Burke have written a fine shelf book that is valuable on several levels. By combing through the minutes of key NSC meetings, they have produced a handy ready-reference to events during the crucial periods of 1954 and 1965. More important, their analysis provides a framework for improving the advice that all presidents need. The lesson from Greenstein and Burke is clear: The worst thing that can happen to a president is to fall in with advisers who tell him only what he wants to hear, a danger that can be averted with the right organizational structure. □

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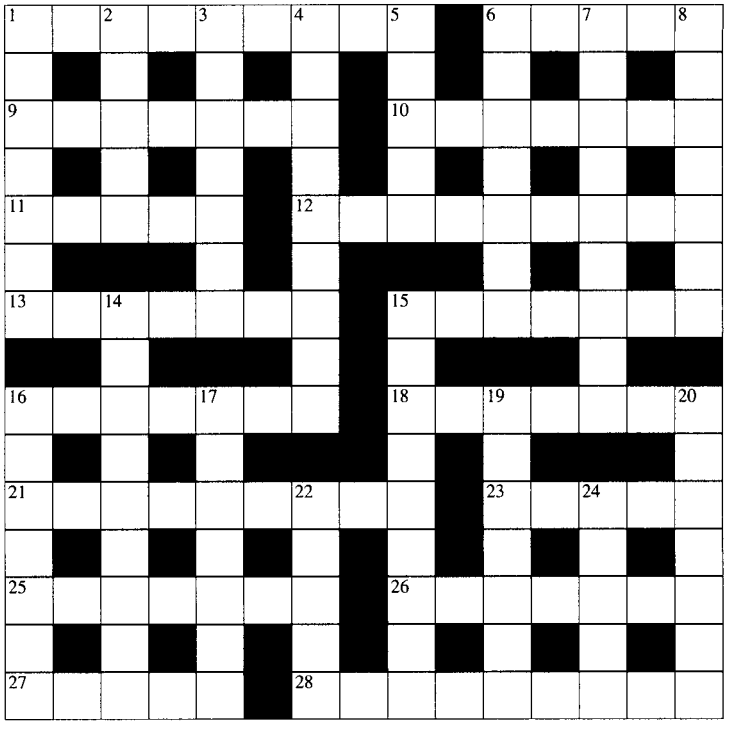
POLITICAL PUZZLE

by John Barclay

The numbers indicate the number of letters and words, e.g. (2,3) means a two-letter word followed by a three-letter word. Groups of letters, e.g. USA, are treated as one word.



ACROSS

1. Send out new boat cards. (9)
6. Shake-up Americans for Democratic Action in Italy. (5)
9. Tints an arrangement for present. (7)
10. Reconstruct 1049 Main to least extent. (7)
11. Current put back for malfunction. (3,2)
12. Had superior forces for thrashing tuna demon. (9)
13. Restive region jumped at noise. (7)
15. Affairs displayed no guts about beginning of invitation. (7)
16. Pace got to doctor somehow. (7)
18. Speak without stopping? (7)
21. I.O.U. $10—tag devised in restaurant. (6,3)
23. Acts out before Eastern social group. (5)
25. Pay for penalty about South African group. (7)
26. Answer opens rarely in road. (7)
27. Mismanaged aid or communications medium. (5)
28. Preen paws carefully for publication. (9)

DOWN

1. Military unit includes Georgia in June figure. (7)
2. Beginning notes in puzzle. (5)
3. Without humor came to a pad end. (7)
4. So a truant turned up as national hero. (9)
5. Seduce British legislator in Eastern holiday. (5)
6. Eponymous colonizer stepping on insect for baseball trophy. (7)
7. Authority named coin improperly. (9)
8. Refers to Dulles construction after April 1. (7)
14. Cracked down and tinged the assembly. (9)
15. How voter managed with rare repeat to oust leader. (9)
16. Demonstrated patriotic devotion and made Fido red. (4,3)
17. Meet unit Ron organized. (3,4)
19. Assembles poised tools? (5,2)
20. Transmitter takes in 50 and does not show expansion. (7)
22. Build a cone around Indian, for example. (5)
24. So cop turned in hot item for 28 Across. (5)

Answers to last month's puzzle:

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POLITICAL BOOKNOTES

Public affairs books scheduled to be published this summer.

Perestroika For America. George C. Lodge. *Harvard Business School Press, $22.95.* This book has a simple, and, I believe, true thesis. In the 21st century, comparative advantage will be man-made, based upon the invention and mastery of new product and process technologies. Europe, Japan, and North America will all want the same high value-added, high wage industries: micro-electronics, biotechnology, the new material science industries, robotics, civilian aviation, computer hardware and software, and telecommunications.

According to Lodge, to be successful, countries and industries, as well as individual business firms, must formulate and carry out the resulting strategies; business and government must work together. Individual initiative must be combined with a communitarian vision.

America needs *perestroika* because its standard operating procedures have not usually involved cooperation and planning. It needs a new structure to formulate a bottoms-up economic game plan and to find some institution to play quarterback—the role played by MITI in Japan and by the universal banks in Germany.

Lodge gives sensible advice on what it takes to form a successful consortium. It must be industry-led; participants must have clear, shared objectives; timing must be right, with a sense of urgency and agreed-upon deadlines; the key players must have top management support; substantial time must have been spent planning strategies; strongly motivated, competent people with career paths within and outside the consortium must be attracted and a common culture built. Government's role is as a legitimizer, a power broker to protect small companies from large ones, a provider of supplemental funds, a coordinator with other government policies, a socializer to spread the benefits to the community, an overseer to ensure that the project stays on track, and a defender of the clearly defined national interest that is to flow from the consortium's activities.

In the bulk of the book Lodge takes a random walk through the failures of American business firms to work together, to work with government, and to compete successfully against those in Europe or Japan who have learned to work together. We learn about the Japanese strategy for conquering robotics, information policies in Brazil, and about the problems the U.S. semiconductor industry is experiencing while the European semiconductor industry is still getting its act together. Our failures to capitalize on our lead in remote space satellite sensing devices is also recounted.

George Lodge appears to believe that he is writing an optimistic book. While we Americans have failed to get *our* act together thus far, we are slowly and painfully learning both within our business firms and within our government. But even ignoring two events that have occurred since this book went to press (the collapse of U.S. Memories, because U.S. firms could not work together, and the Bush administration's firing of the most important government actor in government-industry cooperation—Craig Fields, the head of the Defense Advanced Research Projects Agency), I find this a deeply pessimistic book.

Lodge writes that "in the 1960s the British government sought to collaborate with business and labor to formulate something like an industrial policy, [but] neither the institutions, the instruments, the personnel, nor the ideology were there to make it work." Lodge's words could refer just as easily to the United States. American businessmen talk as if an incompetent government is filled with venal, dumb civil servants. The government returns the hostility: Lodge quotes an FDA inspector as saying, "Our job is to get the violators. We are cops, let's face it." "Our" job is not, apparently, to help build a successful American medical industry.

As Lodge recognizes, national visions and strategies have a legitimacy problem in the United States. During our history, the economic activities of government arose in response to the excesses of capitalism. In the mid-19th century, transportation was regulated when the railroads attempted to rip everyone off. At the turn of the century, antitrust laws were passed in response to the excesses of the robber barons. In the 1930s the failure of capitalism led to the rules and regulations of the New Deal. By contrast, in both Germany and Japan, industry grew up with government as a big brother; everyone needed to work together to catch up with England and the United States and rebuild after the destruction of World War II.

Lodge recognizes that we won't act differently until we have a different history. This means a crisis. As he says, "The issue seems to be: How much crisis will it take?" The empirical answer, unfortunately, seems to be quite a bit. Losing consumer electronics has not done it. Losing autos, steel, and machine tools has not done it. Having nonsupervisory workers (two-thirds of the work force) with real hourly wages 11 percent below where they were in 1973 has not done it. Apparently, it will take a very large crisis.

As an economic system, communism may be dying in Eastern Europe, but there is another battle underway in the world between two different forms of capitalism—best represented by Germany and Japan on one side, and the United States and Great Britain on the other. One side believes in having a game plan and a quarterback, the other does not. The side that does not may not be dying, but it is certainly being severely beaten. How long the whipping continues before the American firm expires is an interesting question.

—Lester Thurow

Seeing Through Movies. Mark Crispin Miller, ed. *Pantheon Books, $24.95.* This collection lashes out at the corporate state, whose single-motive mentality and interlocking registry of white-bread names has, accord-

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ing to the theorists gathered here, straitened American film for 70 years, except during the late 1960s and the 1970s, "that chaotic interregnum between the demise of the old studio system and the onset of the new monopoly." George Lucas and Steven Spielberg receive lots of blame for ushering in the Second Dark Age. Essayist Peter Biskind sees Vietnam in every frame of their blockbusters; he even mistakes Yoda, the Samurai doll in *The Empire Strikes Back*, for Mao Tse-Tsung and Ho Chi Minh, and claims the title sequence of *Raiders of the Lost Ark* reminded him of the fall of Saigon. Stuart Kalwins opens his confused essay on colorization by comparing it to cross-burnings. "Why is it, when I hear people call the process an abomination, that I remember my former neighbors talking about keeping the colored out?" Perhaps it's because Kalwins needs to borrow the moral glow of the civil rights movement to quiet his discomfort at finding himself on the same side as Ted Turner. The facts show, as Kalwins painfully admits at the end of his essay, that Turner was not only the rightful owner of the films that directors and actors banged their spoons over, but that he has also been a better friend to the cause of film preservation than either said luminaries or the government. Ted Turner, in short, is a specimen of the public-spirited capitalist whose existence confounds dialectical theories of political evolution.

Still, there's no gainsaying the narrowness of vision and style that corporate control has imposed on movies. When the Pantheon critics concentrate on what they find in batches of films instead of what they think the films mean, their work shines with insight.

Mark Crispin Miller excels at detailing the pernicious effects advertising divisions have had on entertainment divisions. He cites example after example of films with feel-good cues (*Ghostbusters*), happy-ending revisions of familiar stories (*Rocky I-V*), and, most egregiously, the propagandistic display of product labels. In Coca-Cola/Columbia's *Missing*, for example, Jack Lemmon's heroic character "takes rare (and noticeable) solace in a bottle of Coke, whereas inside the nightmare stadium where the [Chilean] army does its torturing and murdering, there stands a mammoth Pepsi machine. . . ." It's unfortunate that by the time Miller reaches film example number 238 (my unofficial count), his essay has taken on the relentless, gimmicky, hard-sell qualities he himself deplores when he finds them on the screen.

Along with the advertising mentality, the other pervasive influence on current American movies is, of course, television. Most action pictures today conform to the odd-couple buddy-cop formula. Narratives climax with the periodicity of commercial breaks. The biggest laughs and stunts are reproduced for advance viewing in television commercials, "infotainment" segments of news shows, and reviews by such odd-couple buddy-cop critics as Siskel and Ebert. Meanwhile, many cinematic techniques are vanishing because they don't suit the tube: deep focus, slow dissolves, broad tableaux with back- and side- as well as foreground movements.

A shortcoming of the Pantheon school is that no films are held up for contemplation as something other than a commodity and/or a political ideology. The critics have submerged, and in a few cases suppressed, their aesthetic sensibilities. Films win praise for opposing the dominant culture, as when Miller smiles on the "superb and antithetical *Raging Bull*" after grimacing over the *Rocky* series. But what about the music? The sense of fun? The rhetorical means, as opposed to the political resonances, of the story? *Seeing Through Movies* offers no illuminations on these aspects of film. Instead, as the book title suggests, the Pantheon school wants readers to look past the artifact and confront the large forces and complex ideas that movies embody.

I sympathize with this pedagogical stratagem. I bring up *The Wizard of Oz* on the first day of class because it is one work of serious fiction all my University of Virginia students already know intimately. (From the movie I take them back to the novel, where Dorothy's slippers were silver, not ruby, and to the presidential election of 1896, for which *Oz* is a parable.) In an era where Spike Lee goes on "Nightline" and Michael Moore (*Roger and Me*) has ascended to Ralph Nader's pulpit to denounce the auto industry, we should all be doing our best to learn what—and how—the movies project about politics.

I also sympathize with specific parts of the Pantheon agenda. Pat Aufderheide, in her essay, for example, shows how American movies have never squarely represented the Vietnam War as a part of American history. She argues convincingly that Vietnam films have fixated upon the "noble grunts" (American foot soldiers), thereby slighting the U.S. leadership, the air and sea wars, and the Vietnamese. With the movie audience now also languishing on *China Beach*, it's no wonder that in connection with our nation's involvement in Vietnam, so few Americans care to consider the Boland Amendments, the justification for the Panama invasion, and the negotiation over Cambodia.

In the generally acknowledged "Golden Age of Movies," as Miller observes, films often ended with the stars gazing outward toward a better tomorrow. In the Pantheon School's golden era, movies ended in gloom, their idealism no longer couched in the possibility of transcendence, but in a recognition of how far short America had fallen. Today, most movies don't end at all. They can't afford to risk closure, not while their merchandising elements (e.g. cute character, production look, soundtrack, trendy topics) can live longer through sequels, series, pseudonews stories, and toys. So in lieu of "THE END," whatever threads

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of narrative today's movies have extended curl into a bow at the 105-minute mark. And then, for the next nine minutes, credits trudge up a black screen.

Lacking fast-forward, many theatergoers turn their backs to this procession and head home. I find perverse hope for Americans, if not the movies, in this response. The Pantheon School hasn't convinced me to budge from my favorite generalization about popular culture: good work is rare in every era, in every medium, through every mode of production. Good popular work with political significance is rarer still in America, because most Americans aren't that interested in politics.

—Michael Cornfield

The Wars of Watergate. Stanley I. Kutler. *Knopf, $24.95.* The Library of Congress lists 229 "Watergate" books. So who needs another one? Thank heavens University of Wisconsin historian Stanley Kutler has gathered in 620 pages most of what you need to know about Watergate and Richard Nixon just at the moment when Nixon, who has spent a lifetime concocting alibis, is at it again.

In his latest memoir, the former president writes, "I played by the rules of politics as I found them. Not taking a higher road than my predecessors and my adversaries was my principal mistake." In other words, Nixon is still blaming other people.

Indeed, almost every chapter of Kutler's book reminds the reader of one consistent thread in Nixon's anxiety-ridden life—reaching for the least-principled option, based on the rationale that others did as bad or worse. When Nixon ordered the IRS to harass White House "enemies," he insisted he was only doing what the Democrats did. He called vote fraud and dirty tricks familiar stuff. When the Supreme Court scolded his Justice Department for unlawful wiretaps, Nixon responded that his administration had reduced wiretaps by 50 percent from the all-time high under former Attorney General Robert Kennedy.

Kutler doesn't mention other examples that come quickly to mind. When the hidden White House taping system was revealed, Nixon said Lyndon Johnson's was far better than his. Actually, Johnson had only a dictating machine, while Nixon used a seven microphone, automatic mixing and switching system. When Nixon got in trouble for taking huge illegal tax write-offs on the presidential papers he donated to the public, he said he got that idea from Johnson. But in fact, Nixon had taken tax write-offs long before he became president.

Kutler's compendium has flaws. For example, he states that the CIA must obtain court approval for domestic wiretaps, when in fact the CIA is barred from surveillance activities within the United States. Kutler's biggest handicap may be that he was not present at the events he describes. The drama and turbulence are missing. I recall vividly being NBC's White House reporter the night Nixon fired the special prosecutor and accepted the resignations of the attorney general and his deputy. Standing on the White House lawn, struggling to describe the enormity of the moment, all I could think of to start my story was "President Nixon tonight jumped from the frying pan into the fire."

Kutler succeeds in giving context to the events of Watergate. Perhaps too much context. He describes Nixon as "the last casualty" of a haunting decade of war, unprecedented social protest, and assassinations.

Those events did not end the Nixon presidency. Lies toppled Nixon, as Kutler observes in the book's final pages. Americans, who cheerfully presume that all politicians lie, are nonetheless outraged when one is caught doing it. Listening to a Nixon press conference at Disneyworld in late 1973, I counted 14 false or misleading answers Nixon gave to 17 questions.

Deception became a way of life in the sweaty atmosphere of the White House. There was no matter too mundane to be covered up. In May 1973, when the press office was asked how much public money had been spent on the president's private homes in Key Biscayne and San Clemente, it put the sum at $39,525. In the face of persistent skepticism, the figure was twice revised and finally set at $1.3 million. Eventually, the House Government Operations Committee reported that subpoenaed records showed the true figure exceeded $10 million.

Kutler resists psychoanalyzing Nixon, saying little about the personal demons that led him to break into the dean's office at law school to look for his grades or to conspire with H.R. Haldeman to use bogus and misleading mailings in his 1962 California gubernatorial campaign. A look at my own Nixon files reminds me that as far back as 1938, when Nixon was a young Los Angeles lawyer, he was accused of deceptive misconduct in the sale of a home, although the trial judge did not hold him responsible.

Nixon may be right in at least one respect. He might have been justified in believing "everybody does it"—travels the low road—when none of his staff vigorously opposed his darker choices. Their political and moral instincts were as bad as his.

I have long thought one document was a tip-off of Watergate to come. So does Kutler. In 1969, when Jeb Magruder joined the White House staff, he was given a Nixon memo which said, "P.O., not P.R." Nixon didn't want public relations. He wanted a "Presidential Offensive." He had in mind penetrating the camps of political enemies, such as that of Senator Edward Kennedy, so that the White House "attack group" could plan in advance to undercut and counter their moves. In light of that, does the Watergate break-in seem surprising?

The midnight of the "Saturday night massacre," as I walked toward my car to go home, two of Nixon's senior aides emerged from the White House's west wing. "Wasn't it masterful?" one of them asked, referring to the president's firing of Archibald Cox and his order to close the special prosecutor's office. "The president has finally cut off the hemorrhage of Watergate."

I shook my head, and said, "You guys are crazy," and headed off into the night.

—Carl Stern

Poor Richard's Legacy. Peter Baida. *William Morrow, $22.95.* Beware of an author who begins a sweeping history of American business and the literature surrounding it by writing about his own nightmares. In the first chapter of this book, Peter Baida lets us in on the stirrings of his subconscious while he attended the Wharton School of Business. It seems that Baida used to dream about stern old Benjamin Franklin and high-spirited young Huck

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Finn wrestling with his soul. This is reason enough for most of us to place the book gently back upon the shelf and congratulate ourselves for avoiding another dumb read. After all, Baida's hero, Ben Franklin, told us that "Time is Money," and few of us can afford to waste either.

Well, you probably ought to take it back off the shelf. *Poor Richard's Legacy* is a damn useful book, a kind of *Cliffs Notes* of business history and thinking. Baida draws from the classics to present brief biographies of personages ranging from John Jacob Astor to ad man David Ogilvy; he gives equal space to what he calls "dissenting voices," antibusiness thinkers from Henry David Thoreau to the muckrakers to Ralph Nader.

Who will want to read it? Anyone who reads the business pages. Most business journalism seems so shallow because, although many of the writers know the numbers, few have gone beyond them to learn the history that underlies the event they write about. A case in point: The late Malcolm Forbes's 1989 birthday bash was covered as if nothing so outrageous had ever happened. The writers could have harkened back to Alva Vanderbilt's $250,000 ball in 1883 or the formal dinners that Newporters threw for their dogs at the turn of the century.

Any book that tries to do so much in so little space is going to have failings. There is of course the sin of silly writing, such as in this gem: "The deficit, it seems safe to say, is a bomb that might or might not explode." More troubling, Baida's reliance on books and clippings instead of his own digging sometimes leads him astray. In a long wet-kiss chapter about IBM, he retells stories of IBM's relentless rise to business dominance without mentioning the company's recent struggles to hold its place in the personal computer revolution, with most of the sales now going to clone makers. In its traditional profit line—mainframe computers—IBM is losing ground to rivals like Amdahl and Fujitsu.

It should come as no surprise that Baida ends the book with a look at American business's comeuppance at the hands of the Japanese. Why are they winning? Baida asks. Japan's love affair with the Franklinesque virtues of thrift and hard work has brought it to the fore. "If we continue to squander our inheritance," Baida concludes, "our most precious bequest to our grandchildren may well be a copy of Poor Richard's Almanack, to show them where we went wrong."

—*John Schwartz*

Feeding the Beast: How Wedtech Became the Most Corrupt Little Company in America. Marilyn W. Thompson. *Scribner's, $22.50.* Over a period of roughly 10 years, beginning in 1975, an inconsequential South Bronx machine shop, Welbilt Electronic Die Corporation, later renamed Wedtech, managed to gather and utterly dissipate approximately $150 million of public money and private capital. Its founder-promoters early battened on to the possibilities afforded by well-meaning "set-aside" legislation designed to give minority-owned businesses a leg up in government contract work. By the time the sorry "saga" had run its course, Wedtech or, more properly, the relatively small public and private money sources to which it provided special access, had become a schooling ground for as rich and greedy a variety of shark as ever gathered in one place in the history of American business.

It is this quality of concentration, this extraordinarily high per-dollar ratio of peculative diversity and creativity, that gives the Wedtech story its particular flavor. This is not, as the publisher's blurb suggests, "the worst domestic scandal of the Reagan administration." That laurel surely belongs to the still-unfolding savings and loan crisis, the criminous underpinnings of which are only now beginning to become visible.

Nevertheless, Marilyn W. Thompson, a New York journalist and an early digger into the Wedtech scandal, has delivered a smoothly written, frequently intriguing, and just as frequently maddening account of the scam's brief life and flush times. Within the dimensions of the story as she has chosen to tell it, surely nothing has been left out. Indeed, incipient mulcters of the public purse could do worse than to take her version (I believe at least one other "big" book on Wedtech is in the wings) as textbook and Cicerone.

The problem with Thompson's book is as much a matter of taste as anything else. She is almost exclusively concerned with the processes of fraud. These may by turns be fascinating, outrageous, even bloodcurdling, but in business, even of the shadiest sort, process must inevitably boil down to meetings, conversations, and the preparation of documents. Wedtech was a tale played out by some of the most florid characters a novelist could wish for; it would embrace a vast cast of suborning and suborned: street-smart "dese, dem, and dose" types, a congressman, a goodly portion of the backchannel operators of the Reagan White House and associated executive departments, assorted New York politicos and, at the end, financial exotics of the sort only California seems capable of spawning. Closer, continuous, and more imaginative focus on some of these characters would have enlivened the narrative even as the coils of complication drew tighter. Thompson tends, in my opinion, to concentrate too closely on the "deal" side of Wedtech; she follows too hard on the money, too closely and too doggedly, and after a while the changes rung on a single theme become monotonous and wearisome.

Not that fatigue wouldn't, to some extent, be inevitable. Basically, what built Wedtech up and tore it down was overrepetition of a business strategy as honored by time as it is worn: If someone is in your way, make him an offer. What is truly astonishing about Wedtech is how receptive to co-option one "obstacle" after another was. Someone like convicted and disgraced ex-congressman Mario Biaggi is easy to understand: he arrives on the scene with his hand out. But as one servant/guardian of the public weal after another sells out for ready cash or bargain-priced (or gratis) Wedtech stock and fastens another tarnished star to the tail of this rising comet, it really makes one think about what sort of polity we have become. Finally, of course, it must be remembered that nothing gets as far as Wedtech did without the participation of "respectable" elements of society, persons of standing at the bar and on the exchange. What Uncle Sam pumped into Wedtech was peanuts compared to the sums extracted from the investing public, which would not have happened without the highly commissioned sponsorship of the most esteemed names in law, investment

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banking, and public accountancy.

Thompson's account neglects an inferential side of the story that also needs to be addressed. When the company finally collapsed, it employed over 1,000 people in several plants. Presumably, while the boardroom shenanigans were being played out, the company was actually making something. Presumably, while the sharks tore at the carcass, other principals, like co-founder Joseph Mariotta, who all but disappears from Thompson's account, were busy on the factory floor.

I would like to have learned more about this. Thompson's version focuses too greatly on the financial fun and games, making Wedtech seem as if it existed solely as a shell, a boiler room invention through which one money malefaction after another could be concocted and implemented. That this was to a great extent true, I have no doubt, but it took 10 years to kill this company; those 1,000 employees must have been doing something during that time, andvery possibly doing some of it right.

It is to be hoped that Wedtech is merely a curious and singular bit of brigandage and not a symptom of the general degradation of our commercial culture. I fear not, however—which brings me to my final quarrel with Thompson's approach. Like most contemporary business journalism, *Feeding the Beast* is relentlessly non-judgmental. Thompson is resolute in avoiding questions of "larger significance." Or is Wedtech just another glittering rhinestone in the diadem of the American genius for financial duplicity, rating somewhere alongside Fisk, Gould, and Vanderbilt's Erie Railroad caper?

Yes and no. As a tale, it is certainly full of sound and fury, peopled by a cast whose contempt for "values" verges on the breathtaking. As a cautionary tale? Ah, there's the rub. My own guess is that investigators looking into exactly how now-defunct thrifts were looted—with complaisance if not connivance on Uncle Sam's part that obscured the boundary between mere dereliction of duty and outright corruption—could profit as much as any would-be swindler from a close study of Marilyn Thompson's exhaustive study.

—*Michael M. Thomas*

Working for the Japanese: Inside Mazda's American Auto Plant. Joseph J. Fucini, Suzy Fucini. *Free Press, $19.95.* In 1985, the small suburb of Flat Rock, Michigan, located about 20 miles south of Detroit, became the site of an event rich in industrial symbolism. For the first time, a Japanese automobile company, Mazda Motor Corporation, would operate an automobile plant on the home turf of America's Big Three car makers. In addition, the assembly plant would be staffed by members of the United Auto Workers and operated by Japanese and Americans in what Mazda optimistically described as "a third-culture plant."

The story of the Mazda-Flat Rock plant is recounted by Joseph and Suzy Fucini, a husband-and-wife journalist team based in Michigan. They track the experiences of a group of American workers, many of whom were newcomers to the automobile industry.

To their credit, the Fucinis provide plenty of detail about daily life in a Japanese manufacturing plant. The system is based on a philosophy of continuous improvement, called *kaizen*, which seeks to weed out inefficiencies and waste (*muda*) and achieve equal or greater output in less time with fewer workers. An improvement of as little as six-tenths of a second is considered significant. Another key concept, "just-in-time" (JIT), attempts to keep human and material resources at the barest possible minimum.

On the positive side, *kaizen* puts a premium on the intelligence and resourcefulness of the individual worker. "One of the first things that impressed Mazda's new American workers," the authors say, "was the willingness of the Japanese to let workers figure things out for themselves." Mazda training procedures emphasized teamwork and cooperation, instead of the traditional Detroit model of management-labor confrontation. Everyone, including line workers and management, wore the same uniforms. There were no reserved parking spots or executive dining rooms. The guidelines on cooperative work behavior were supposed to extend to the workers' personal lives. For example, instead of telling a teenage son, "Just look at this pig sty! How can you be such a slob!" an enlightened worker-parent would say, "Johnny, you're a wonderful son, but you must clean up your room so you'll be able to find things more easily when you need them."

On the negative side, however, was the incredible time pressure that the assembly workers labored under. The torrid pace of a fully *kaizen*ed JIT assembly line keeps the worker in motion for 57 seconds of every minute, 12 seconds longer than at a typical Big Three plant. At Flat Rock, the American workers are chronically stressed out and exhausted, as they were during the record-breaking temperatures of summer 1988. Disputes flare up over such issues as whether the Americans have to wear "voluntary" baseball caps or attend "voluntary" morning exercise classes. Furthermore, American managers find themselves without power, constantly second-guessed and preempted by their Japanese "advisers," who must refer even minor questions back to Mazda headquarters for resolution. Two high-ranking American managers quit in disgust, and New Directions, a dissident union group that seeks a tougher negotiating stance with Mazda, wins an election over the official UAW slate.

The Fucinis conclude that, ultimately, the Mazda experience became a nightmare for the Americans. "Despite the magazine articles and television specials that praised the Japanese system for treating workers with dignity and respect, and despite the noble promises made by Mazda during its orientation, workers at Flat Rock were not happy. Rather than dignity and respect, they had found a dehumanizing management system at the plant that pushed them harder and harder in pursuit of unattainable production goals and then abandoned them when they became worn out and injured."

The book's limitation is that the Fucinis are better reporters than they are analysts. What the authors consider a Japanese menace is really a grave Japanese competitive weakness. Business is now more and more globalized. A corporation's success has less to do with its nation of origin and more to do with its skills at internationalizing its operations and having "insider" status wherever it serves customers. In this regard, American and European companies are way ahead of the

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Japanese. Texas Instruments, Unilever, Nestle, McDonald's, and Coca-Cola are hugely successful in Japan because they carefully adjust their products and procedures to fit Japanese standards. Local managers are given lots of decision-making autonomy and don't have to check with distant bosses over every detail. So successful is this cultural integration that many Japanese consider McDonald's a Japanese company. As world events drive economies towards greater integration, Japan's provincialism and its difficulties in exporting its management style look like its Achilles' heel in the 1990s. As Shoichiro Irimajiri, senior managing director of Honda Motor Co., told *Business Week*, "We're 10 to 20 years behind in internationalization."

Moreover, the expanding networks of strategic alliances, joint ventures, and transnational investments are making old nationalistic labels—"Japanese company," "American company"—obsolete. General Motors owns 38 percent of Isuzu, and nearly 70 percent of GM's 1989 profits were from foreign operations. More than half the sales of companies like Caterpillar, Dow Chemical, and Xerox are outside the U.S. Twenty-five percent of Mazda is owned by Ford Motor Company, a fact that is mentioned by the Fucinis but not sufficiently explored. Can Mazda really represent such an ominous threat to America's economic security when one-quarter of its ownership resides in Dearborn, Michigan?

This is not to discount the misery that Flat Rock workers underwent. But to the degree that Mazda management was obtuse, its failures probably had less to do with the intrinsic nature of Japanese management than with the sorry truth that all big, bureaucratic corporations do foolish things, regardless of their nationality. As one U.S. worker tells the Fucinis, "To me, the complaints I've had have been a management-labor thing, not a Japanese-American thing."

Finally, the book has a flaw common to many new business books: the authors attempt to inject novelistic descriptions into the narrative to enliven the story. The results here are painful cliches. The mayor of Flat Rock is "old and kindly." An American manager is "stocky and confident, with meat-hook arms and a jaw that still looks square and strong." Phil Keeling, a dissident union leader who is one of the book's heroes, is said to resemble "an ancient Viking warrior [with] clear blue-green eyes, large prominent brow, and sturdy jaw. His voice, a rich baritone that seems to draw its strength from deep within his muscular six-foot-four frame, filled the entire room." This gushy description of Mr. Keeling continues for five more lines. When writing a business book, it's better to let the story tell itself.

—David Graulich

Controlling the Sword: The Democratic Governance of National Security. Bruce Russett. *Harvard University Press, $22.50.* Professor Russett asks whether public opinion influences national security policy and, if so, whether this is a good idea. He answers both questions affirmatively.

His analysis finds a "complex interaction between leaders and led," with public opinion sometimes influencing policy and policymaking sometimes being shaped in an attempt to obtain the desired popular reaction. His conclusion is that, despite the complexities of national security problems, the public has enough information to answer the key questions: "When is the use of military force justified? . . . Should we seek military superiority over the Soviets, or should we settle for parity? . . . Are our military defense levels basically adequate or seriously wanting? . . . How important is it to have a *modus vivendi* with the Soviets? . . . What risks are we prepared to run to avoid being red? Or dead?" Experience in the years since World War II seems to me to confirm Professor Russett's thesis. Some striking examples come to mind.

On the Vietnam war, public opinion outpaced official policy and eventually forced our withdrawal from that costly and quixotic enterprise. In contrast, some presidential decisions to employ military force have evoked a "rally around the flag" reaction and increased the approval rating of the incumbent. Illustrative is the general approval of President Gerald Ford's military action to rescue the *Mayaguez* crew, although it turned out that the crew had already been released and many American servicemen died in the mission. Other examples cited are the wide popular support for our invasion of Grenada, the bombing attack on Libya in response to its sponsorship of terrorism, and the military action to get Manuel Noriega out of Panama and into a Miami prison. But as Russett points out, all these actions were of brief duration and at least cosmetically successful. Moreover, the boost in presidential popularity was also short-lived.

His book also suggests that the combination of electoral politics and economic distress is a dangerous one for international relations. In this regard, he refers to the failure of the SALT II Treaty to achieve ratification in 1979. He fails to note, however, that, although never ratified and expiring by its terms at the end of 1985, the treaty today continues as a de facto limit on the strategic arsenals of both sides. To stay within the ceilings, the Soviet Union has continued to destroy older silo-based ICBMs as it deploys its new mobile SS-24s and SS-25s. Though President Reagan announced in 1986 that the U.S. would no longer be bound by the treaty's terms, we have remained largely in compliance. This reflects the public support for measures that are seen as reducing the risks of nuclear war, which was demonstrated by the nuclear freeze movement of the early 1980s.

Russett observes that both political and media elites find it harder to criticize forceful action by a president than conduct that may be viewed as too conciliatory. This first part of his observation is supported by the silence of the Democratic leadership and the absence of adverse media comment when President Bush resorted to military force in Panama. The second part is confirmed by the right-wing attack on the START Treaty agreements reached at the recent summit.

Finally, Russett astutely observes that the lack of a coherent strategy can interfere with the constructive interaction of opinion and policy. He points to the dichotomy in our strategic policy, whereby our announced arms control objective is to achieve survivable and nonprovocative retaliatory forces, consisting of second-strike-only weapons, while our declaratory policy in NATO councils is a threat to use nuclear weapons first. Public opinion is understandably as confused as the policy itself.

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Russett's book may be seen as sometimes belaboring the obvious. But it is important for policymakers to recognize that, like it or not, they must be responsive to popular opinion. As Russett points out, moreover, the industrialized and democratically governed nations "constitute a vast zone of peace," without expectation of or preparation for war among themselves. The exception in Europe is the relationship between Greece and Turkey, which he notes are "among the poorest countries of this group, and only sporadically democratic." The "democratic governance of national security" thus can be seen to be doing a good job of "controlling the sword." And the spread of democracy thus holds the best promise of a peaceful world order.

—*Paul C. Warnke*

War, Peace, and Victory: Strategy and Statecraft for the Next Century. Colin S. Gray. *Simon and Schuster, $24.95.* Ten years ago, Colin Gray wrote an article arguing that the United States could and should plan to fight and win a nuclear war against the Soviet Union. Now he has written a big book arguing that the United States must develop a strategy or strategies to win a variety of wars.

In the course of the argument, Gray displays extraordinary erudition about past wars, from the Peloponnesian to the Napoleonic, and about past exponents of strategic theory, notably Clausewitz and Jomini, and he makes a number of sensible observations. But every time Gray comes down on one side of a specific current issue, he seems to come down wrong. He can barely contain his contempt for arms control efforts. He specifically opposes a treaty to limit the development of antisatellite weapons. He rejects the idea that some nuclear weapons contribute to strategic instability. And he seems still to be pursuing the will-o'-the-wisp of Star Wars.

Yet, Gray's thinking has moved some distance over the past 10 years. His chapter on "Nuclear Weapons and Strategy" no longer offers the dubious consolation that U.S. casualties in a nuclear exchange could be limited to 20 million. Instead, he recognizes that the principal purpose of nuclear weapons is to discourage the other side from using nuclear weapons as well as to damp down potential conflicts that might escalate into conventional and then into nuclear wars, and he justifiably chides the proponents of "flexible response"—gradual escalation from conventional weapons to "tactical" nuclear weapons to larger-scale nuclear exchanges—for not thinking seriously about where flexibility can lead.

Gray goes on to suggest that the principal deterrent "in the foreground" to discourage Soviet leaders from waging war on the Western Alliance in Europe, or upon its "vital interests elsewhere," would be the fact of "an economically vastly superior enemy coalition" persistent in defending its interests. The danger of a nuclear holocaust would be only a "deterrence makeweight."

One wonders why, if Gray sees so little military utility in nuclear weapons, he is not more interested in reducing their numbers, or at least in modifying their configuration. But Gray is not prepared to consider that sometimes no conceivable military means may achieve the desired political or economic ends.

Although some civilian military analysts—Michael Howard, Karl Kaiser, and Francois de Rose come to mind—are beginning to see that figuring out how to achieve military victory is not their primary task, many of them—Gray is just one example—are still too caught up in the excitement of plotting complex nuclear—and even non-nuclear—strategies. Granted, there is still plenty of work to be done by military analysts: force structure, arms control agreements, and the role of reserves, to name a few topics. But if you begin by thinking about how the United States should conduct a war, you avoid a number of troubling questions about how we got there in the first place.

The enormous changes in the Soviet Union, in Eastern Europe, and in what are no longer the two Germanys, have made NATO deterrence strategy largely irrelevant. The capacity of the United States to intervene decisively in any of these situations is extremely limited. And one could argue that military intervention is most likely to be successful only when it offers the antagonist a face-saving alternative. Military intervention is a risky supplement to, never a substitute for, a range of political, economic, and diplomatic means.

That's why the Colin Grays of the 1990s need to think less about winning wars and more about keeping the peace.

—*Adam Yarmolinsky*

Congressional Chronicles. Anthony S. Pitch. *Mino Publications, $12.95.* This charming book showcases the outrageous, picaresque, and downright goofy aspects of Congress, but is forced to reach fairly far back in history to come up with most of its congressional oddities. While the foibles of Daniel Webster or the wit of Henry Clay even now prompt smiles, and the outrageous carryings-on of Robert Kerr and Everett Dirksen still evoke some amused recognition in those who remember those bumptious corsairs, color in Congress seems to be a thing of the past. It is difficult to imagine, for example, anecdotes being told in years to come of the antics of Senator Connie Mack or Rep. Steve Gunderson. The pickings in the current crop seem mighty thin. The sparseness of contemporary entries in this book supports that suspicion.

But perhaps it is premature to write Congress off as just a collection of humorless bean counters who hang around for years, crouching behind a battlement of blandness. Perhaps Pitch, in recounting the tale of Rep. John Randolph striding onto the floor of the House followed by his hunting dogs, might have mentioned Speaker Tom Foley's amiable dog Alice or Les Aspin's hound Junket. While neither modern lawmaker would have the debonair arrogance of Randolph to enter the chamber with a pack of snarling mastiffs, quirkiness in Congress may not be entirely dead.

Rowdiness and excessive disputation may be less common now than when Charles Sumner was beaten to within an inch of his life by Preston Brooks on the floor of the Senate, but it was not too long ago that Rep. John Burton made an obscene Sicilian gesture to a Republican in the course of a debate. I doubt, by the way, that any member of the House and Senate 100 years ago would have donned a plastic pig snout to denounce a public works project, as Rep. Silvio Conte did not too long ago.

My main quibble with this highly entertaining little book is that it leans a little too heavily on the early examples

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of congressional eccentricity and overlooks people like the diabolically acerbic Eugene McCarthy or that irrepressible phrasemaker Alan Simpson. Even Bob Dole, perhaps the only major political figure with a well-honed sense of irony, is passed over.

Two books published within the past 20 years provide enough delicious scurrility to obviate the need for delving back into a Congress that no longer exists. They are Bobby Baker's *Wheeling and Dealing* and William "Fishbait" Miller's *Fishbait*. More elegant and respectable but no less full of wonderful anecdotes about the Congress of the recent past is Eugene McCarthy's *Up 'Til Now*. But the book whose congressional vignettes have never been surpassed and probably never will be is Harry McPherson's *A Political Education*. If Mr. Pitch ever gets to a second edition, he would do well to consult these sources that went untapped in his current effort.

I think it is important that books on the current wit and wisdom of Congress not become more and more slender. One explanation for the low esteem into which Congress has fallen is that its members present themselves to the voters as choirboys who then fall embarrassingly short of that image and come off sounding like hypocrites. A little less buttoned-down, blow-dried primness might prompt voters to cut members of Congress a little more slack.

—*Ross K. Baker*

Running Mates: The Image and Reality of the First Lady Role. Ann Grimes. *William Morrow, $21.95.* After *Fortune* did a story on "trophy wives"—the phenomenon in which wealthy businessmen reward themselves the second time around with lovely younger wives who have glamorous careers—Michael Kinsley, the mordant columnist and television debater, mused about what the Washington equivalent of a trophy wife would be.

"In politics," suggested Kinsley, "a trophy wife is the older first wife who doesn't have a career. The fact that these guys stay married to the same woman for 30 years is the trophy."

If New York trophy wives are sleek superwomen like fashion designer Carolyn Roehm, wife of Wall Street's Henry Kravis, and public relations expert Linda Robinson, wife of American Express Chairman James Robinson, Washington trophy wives are stalwarts like Helena Schultz, Jane Weinberger, and Barbara Bush.

Political wives are a fault line in our society; they reflect a contradictory and ambivalent range of feelings about women's shifting roles. We use the political wife to gauge the character of the candidate in times when character counts more than ever. We want our first ladies to have charisma and don't want them to meddle in Cabinet meetings, arrange summit schedules according to the position of Uranus, or distract the president with any Valley-of-the-Dolls or conflict-of-interest problems.

No one is sure how much independence is expected from mates any more or how much will be tolerated by the electorate. Journalist Susan Riley of *The Ottawa Citizen* wondered, "What is the political wife saying about women, about marriage, about the way power is distributed in our society? It sounds as if she is saying that women are status symbols, possessions, mirrors for the men they live with. But aren't those days over?"

As Ann Grimes documents in her new book, those days are far from over.

It is no accident that the most famous rehabilitation center in the country for drugs and alcohol bears the name of a former first lady. Ever since the days of Mary Todd Lincoln and Edith Wilson, first ladies have been going nuts and usurping presidential power. But America still clings to the old-fashioned image of wives as loyal, well-balanced helpmates. America loves to glamorize the role of first lady for the same reason we love Princess Diana: we are still royalists at heart. Someone must represent the ceremonial side of government and provide juicy celebrity gossip.

The 1988 campaign forced everyone to reexamine the role of political wives. No one who watched Gary Hart drag Lee Hart around to shopping malls on his post-Donna Rice reentry into the Democratic race—dubbed "Return of the Living Dead" by reporters—could help but wonder whether it wasn't time for abused political wives to start screaming, "I'm mad as hell and I'm not going to take it any more."

Most spouses of the candidates in the Democratic primary were career women who refused to be treated as meek appendages. Hattie Babbitt, an attractive and celebrated trial attorney in Phoenix, set the new tone. Crushed in a crowd trying to get to her husband at a Democratic candidate debate in New Hampshire, she noted: "This is about as interesting as a bad cocktail party—with no booze." After the campaign was over, she told a journalist, "I've heard one of the candidate's wives say she loves every minute of the race, and all I can say is, either she's lying or she's wacko."

There were sounds of rebellion on the Republican side as well. When her husband was chosen as George Bush's running mate, Marilyn Quayle quickly made it clear that she resented not being paid for her services as the wife of the vice-presidential candidate and that, once her husband was in office, she might return to the work force as a lawyer or run for her husband's old congressional seat. Mrs. Quayle gave up those ideas, realizing that America, especially her husband's conservative constituency, was not ready for the image of a woman marching out of the White House every morning with a briefcase. She also realized that she could have more fun with her official job. But she still shows impatience with her volunteer status by referring to herself on travel manifests as second lady, even though no such title exists, and by handing out Marilyn Quayle key chains—take note, David Letterman—with her signature engraved on them instead of her husband's.

The Wellesley students who protested the choice of Barbara Bush as their commencement speaker argued that young women no longer need as role models wives who have spent their lives enhancing a man's career. Would an all-male college invite Denis Thatcher to give a commencement address?

Barbara Bush gracefully responded that it was a matter of different generations and different expectations, and that, perhaps, by the time those graduates were her age, there would be a first gentleman looking adoringly at a female president.

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In a book that focuses largely on Kitty Dukakis and Barbara Bush, Grimes shows—with a plodding prose style but a raft of reporting and a refreshing sardonic perspective—the suffocating box in which the modern political wife finds herself.

There is the newfangled model, Kitty Dukakis, a feminist who tested conventions and tried to move beyond the phony deference expected of political wives, a woman who spoke out strongly and made it clear that she tried to influence her husband's opinions. But the electric energy, radiant smile, and passionate strength were all an illusion, behind which Kitty Dukakis was frantically trying to hold on to her self-worth. Grimes points out that when the illusion cracked, her ordeal raised disturbing questions about where the line of privacy should be drawn for candidates' family members. If Kitty Dukakis had become first lady and fallen apart, a nightmare she now believes might well have happened, what effect would her illness have had on his presidency? And if her family knew about her cyclical depressions and the extent of her addictive nature and emotional fragility—which eventually led her to drink rubbing alcohol while she was on antidepressants—why did her robotic husband put her through the grinding experience of a presidential campaign?

Then there is the oldfangled model, Barbara Bush, who gave out the recipe for her favorite oatmeal lace cookies on the trail and joked that the only training a woman needed to become first lady was "to marry well." Although she has more liberal views than her husband on issues important to women, such as abortion and gun control, Mrs. Bush refuses to talk publicly about those differences or to hammer at her husband to change. He was the one who was elected, she insists. Clearly, Grimes hopes and believes Barbara Bush is a dinosaur, the last of a breed of strong first ladies who must publicly feign disinterest in power, even as they privately wield it.

"Mrs. Bush is interested in the needs of poor women and women who have been left by their husbands and need job training," Grimes writes. "She is concerned about the problems facing teenage mothers. But, she said, 'I am not going to be one who's speaking out on women's issues, so-called.' She makes no connection between these women's needs and what Americans have traditionally come to perceive as women's issues: pay equity, abortion rights, and an equal-rights amendment. Nor has she lent her voice toward shaping a national family policy. . . ."

Explaining her determination not to differ from the president in public, the first lady said: "I think a good mother and father make a decision about a child behind a closed door and then come out united."

But those who know the first lady well joke that she is "the real Nancy Reagan," or "Nancy Reagan with brains," and point out that she is just as much a lioness when it comes to protecting her husband from those she considers disloyal and just as much a force when it comes to issues she cares about. She has a quiet influence over her husband, teaching him sensitivity on issues such as AIDS and the homeless, and she influences staff choices, having promoted the pro-choice Dr. Louis Sullivan as secretary of Health and Human Services.

Mrs. Bush wears expensive designer clothes and has used society interior designer Mark Hampton to redecorate several rooms at the White House and Camp David, but, as Grimes points out, Mrs. Bush has used wit and political skill to elude the sort of criticism that the brittle "Queen Nancy" engendered.

Grimes writes: "Though she is admired for her warmth and caring and her grandmotherly ways, Bar's real strength lies in her political know-how, her tough-mindedness, her charisma, and her formidable ambition—and in the facade she maintains that politics is a hardball business that mere 'wives' sensibly shun. Like many political wives, Bar has in a way been almost smuggled into power alongside her elected husband."

The double-edged sword that political handlers face these days when they try to figure out how best to use political wives can be seen in the sagas of Kitty Dukakis and Barbara Bush.

The Democrats unashamedly used Kitty to try to give her stiff husband an aura of passion. But that technique backfired badly—in one of the episodes that helped cost him the election—when Dukakis could not muster any emotion in his answer to a debate question about whether he would want the death penalty for someone who had raped and murdered his wife.

Once, during his long quest for the presidency, George Bush was approached by an adviser about whether he could have a word with his wife about dying her hair and sprucing up a little. He threw the messenger out of his office.

Now that Mrs. Bush's snowy hair and wrinkles have become a beloved part of her growing myth, now that she is a potent political symbol on her own, GOP strategists leak information designed to bolster the belief that Mrs. Bush has her own discreet agenda that is more liberal than her husband's. That way, the strategists reason, they can please both sides of the spectrum without Mrs. Bush ever saying a word. "The assumptions about her position on abortion are true," a White House source confides in Grimes. Just another clever way for the Bush administration to try to have it both ways.

When I think of how hard it must be to be a political wife, I recall two incidents.

One was after the election, when the Bushes invited the traveling press corps over to their Kennebunkport home for wine and cheese on Thanksgiving weekend. As the gaggle of reporters, photographers, and technicians tagged after Barbara Bush up the driveway to the house, Jessica Lee of *USA Today* thanked her for the invitation.

"Don't thank me," the first lady-elect said, with an edge to her voice that distinctly implied she would prefer to be alone with her husband. "Thank George Bush. He invited you."

Another time, when I was following Gary and Lee Hart around in a mall during their sad revived campaign, I broke off to go into a drug store. Lee Hart—pinioned by cameras—asked me if I could pick up some hairspray for her. I bought her the first small canister I could find. When Gary Hart came up a few minutes later to reimburse me, he asked how much. I said, $6.50. He said, a bit resentfully, "You have expensive taste." His wife and I just looked at him. He could afford to take Donna Rice out on the town, but he begrudged spending $6.50 for his wife to look good for his pathetic campaign.

I looked at Lee Hart and she looked back, chagrined. What a life, I thought.

—*Maureen Dowd*

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